OFFICE OF THE
COMPTROLLER
GENERAL
PUBLIC
ACCOUNTS
2002
2003
BRITISH
COLUMBIA
Ministry of Finance

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Public Accounts

For the Fiscal Year Ended
March 31, 2003

2002
2003

BRITISH COLUMBIA

Ministry of Finance
Office of the Comptroller General

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June 27, 2003
Victoria, British Columbia

Lieutenant Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2003.

GARY COLLINS
Minister of Finance

Ministry of Finance
Victoria, British Columbia
June 27, 2003

Honourable GARY COLLINS
Minister of Finance

I have the honour to submit herewith the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2003.

Respectfully submitted,

ARN VAN IERSEL
Comptroller General

British Columbia's Public Accounts

Setting The Course

The Public Accounts are one of the key ways in which the government demonstrates accountability to the citizens of British Columbia. By providing actual, audited financial information in a consistent, timely and understandable way, the Public Accounts allow readers to see how the government performed relative to its fiscal plan for the year, as laid out in the Budget and Estimates of revenue and expenditure. Also, through the Public Accounts Overview and Provincial Debt Summary, comparisons can be made across a number of years. Finally, through the Consolidated Revenue Fund Extracts, information is available that compares planned versus actual spending on an appropriation basis, which represents another significant accountability of ministries back to the Legislative Assembly.

A new companion accountability document to the Public Accounts, being tabled for the first time, is the Ministerial Accountability Report under the *Balanced Budget and Ministerial Accountability Act* (BBMAA) introduced in 2001 and effective for the 2002/03 fiscal year. This report, also produced by my office, determines for Cabinet ministers and ministers of state whether or not they are entitled to receive their 20% salary holdback for 2002/03 based on their performance in meeting their financial and non-financial targets. Additional information is available within the Ministerial Accountability Report which summarizes how the BBMAA is being interpreted and applied.

As in past years, continuing efforts are being made to improve the Public Accounts in terms of their usefulness to the readers. A significant improvement for fiscal 2002/03 is that we have been able to allocate the Consolidated Revenue Fund into the standard Statistics Canada functional categories. Similarly, we have realigned our Crown corporations using these same functional headings to achieve a better breakdown of our expenses. This should assist in inter-provincial comparisons in the future.

Fiscal 2002/03 was a year of considerable change in government. As a result, the government reporting entity, i.e., those organizations that are included in the Summary Financial Statements, has changed. Some new organizations have been added, some have been deleted and some have changed status, such as the conversion of the Royal BC Museum into a Crown corporation which is to be consolidated in 2003/04. One organization deserving special mention is British Columbia Ferry Corporation, which was restructured at the end of 2002/03 but remained within the government reporting entity until April 2003. There is a complete listing of the reporting entity for government on pages 61-62. For British Columbia Ferry Corporation, page 59 (note 34) provides further information.

Accounting policies are reviewed each year for continued relevance. During fiscal 2002/03 the Public Sector Accounting Board (PSAB) officially adopted the expense based bottom line where senior governments such as the Province of British Columbia are to present their financial statements on a full accrual basis, including capitalization of assets. In the case of British Columbia, we have been following this practice for some time and have been accruing all but corporation income tax and Federal Equalization Program revenue, so the PSAB change represents an endorsement of our existing practice. Consistent with our adoption of full accrual accounting, we were also able in 2002/03 to move the accounting for Federal Equalization Program revenue to a full accrual basis.

Our office has been working closely with the independent Accounting Policy Advisory Committee created under the *Budget Transparency and Accountability Act* in 2001. This committee is advising the government on the requirements to be fully compliant with generally accepted accounting principles (GAAP) by the legislated date of April 1, 2004. Based on progress to date, we are on track to meet this requirement.

One of the major discussions of the Accounting Policy Advisory Committee was who should be included in the government budgeting and reporting entity. The committee examined a number of government organizations, including schools, universities, colleges, and health organizations (the SUCH sector) based on the new proposed PSAB criteria. It was the committee's opinion that the SUCH sector should be included, except for universities under the *University Act* and regional hospital districts. The Auditor General agreed with the committee's finding except he has stated that universities should also be included in the government reporting entity. The government has reluctantly agreed with the Auditor General, but has advised his office that this will be under review pending consideration of the practice in other jurisdictions. The result is therefore expected to be that, as of April 1, 2004, the government reporting entity will include the entire SUCH sector. This

is much more than an accounting issue as it is expected that the accounting change will drive changes in the management of these organizations. Please note that while the province will not be including the SUCH sector in its statements until fiscal 2004/05, the Public Accounts do provide an impact summary as if they were included. Pages 76-79 show how inclusion of the SUCH sector for 2002/03 would have improved the bottom line.

British Columbia remains a leader in budgeting and financial reporting based on the comparability of its Estimates and Public Accounts, and its focus on "One Bottom Line", that is, the Summary Financial Statements of the province including ministries, Crown corporations and other agencies. While we continue to go through significant change we will remain dedicated to improving both the budgeting and reporting of the province.

I would again like to thank the Select Standing Committee on Public Accounts of the Legislative Assembly, government ministries, Crown corporations and agencies, and the Office of the Auditor General for their guidance and support in preparing the 2002/03 Public Accounts. All participants were vital in advancing the release date once again. We are now a leader in timeliness across the country. We therefore continue to look forward to a very positive relationship with all our colleagues and clients for 2003/04.

Comments or questions regarding the Public Accounts documents are very much appreciated and can be directed to me by mail at PO Box 9413 STN PROV GOVT, Victoria BC V8W 9V1, by e-mail at arn.vaniersel@gems8.gov.bc.ca, by telephone at 250 387-6692, or by fax at 250 356-2001.

ARN VAN IERSEL
Comptroller General

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Public Accounts Content

Provincial Financial Reporting Overview—provides a written commentary on the Summary Financial Statements plus additional information on the financial performance of the government.

Summary Financial Statements—these audited statements have been prepared to disclose the financial impact of the government's activities. They aggregate the Consolidated Revenue Fund and taxpayer–supported Crown corporations and agencies (government organizations) and self–supported Crown corporations and agencies (government enterprises).

Supplementary Information (Unaudited)—this section provides supplementary schedules containing detailed information on the results of those Crown corporations and agencies which are part of the government reporting entity.

Additional information is also included on the impact of including schools, universities, colleges and institutes, and health care organizations in the government reporting entity. Currently, they are not considered part of the government reporting entity because each is part of a province–wide program, is locally based and has an initial accountability to a local board. These organizations will be included in 2004/05.

Consolidated Revenue Fund Extracts (Unaudited)—the Consolidated Revenue Fund (CRF) reflects the core operations of the province as represented by the operations of government ministries and legislative offices. Its statements are included in an abridged form. The CRF Extracts include a summary of the CRF operating result, a schedule of net revenue by source, a schedule of expenses, a schedule of financing transactions, and a schedule of write-off, remission and forgiveness, as required by statute.

Provincial Debt Summary—presents schedules and statements that provide further details on provincial debt and reconcile the Summary Financial Statements to the province's total debt. Also included are the audited Summary of Provincial Debt, Key Indicators of Provincial Debt and Summary of Performance Measures.

This publication is available on the Internet at: www.fin.gov.bc.ca

Additional Information Available

The following information is available only on the Internet at: www.fin.gov.bc.ca

Consolidated Revenue Fund Supplementary Schedules—this section contains schedules that provide details of financial activities of the province's Consolidated Revenue Fund, including details of expenses by ministerial appropriations, together with an analysis of statutory appropriations, Special Accounts and Special Funds, and financing transactions.

Consolidated Revenue Fund Detailed Schedules of Payments—this section contains detailed schedules of salaries, wages, travel expenses, grants and other payments.

Financial Statements of Government Organizations and Enterprises—this section contains links to the audited financial statements of those Crown corporations and agencies which are included in the government reporting entity.

Segregated Funds and Trust Funds Financial Statements—this section contains the audited financial statements of the pension, superannuation and long–term disability funds administered by the province. A summary of financial information for trust funds is also included in this section.

Summaries of Financial Statements of Corporations and Agencies to which the Financial Information Act applies—this section contains summaries of the financial statements of corporations, associations, boards, commissions, societies and public bodies required to report under the *Financial Information Act* (R.S.B.C. 1996, chap. 140, sec. 2).

Provincial Financial Reporting Overview

The focus of the province's financial reporting is the Summary Financial Statements, which consolidate the operating and financial results of the province's Crown corporations and agencies with the Consolidated Revenue Fund. These are general–purpose statements designed to meet, to the extent possible, the information needs of a variety of users.

The Public Accounts are prepared in accordance with the *Financial Administration Act* and the *Budget Transparency and Accountability Act* (BTAA).

The BTAA was amended in 2001 with the passing of Bill 5. The government has mandated under section 20 of that Bill that "all accounting policies and practices applicable to documents required to be made public under this Act for the government reporting entity must conform to generally accepted accounting principles (GAAP)". This move to fully comply with GAAP must be completed by April 1, 2004.

For senior governments, GAAP is generally considered to be the recommendations and guidelines of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). While the province generally follows the recommendations of PSAB, there are two areas that have been or will be reviewed in the move to full GAAP reporting:

i) school districts, universities, colleges and institutes, and health care organizations (SUCH sector) were examined to determine whether or not they belong in the government reporting entity (GRE). These organizations will be included in the GRE in 2004/05.

ii) prepaid capital advances, currently used to capitalize grants to entities outside the GRE for tangible capital assets, will be reviewed to determine if they are still required once the move to fully comply with GAAP is complete.

An Accounting Policy Advisory Committee has been established as an independent body and is assisting the province in addressing these two issues.

The Public Accounts are printed in one volume and include the Overview, the Summary Financial Statements, Supplementary Information, the Consolidated Revenue Fund Extracts and the Provincial Debt Summary. Additional information is available to the public on the Internet at: www.fin.gov.bc.ca.

Summary Accounts Surplus (Deficit) for the Fiscal Year Ended March 31, 2003

In Millions

	2002/03 Estimates[1]	2002/03 Actual	2001/02 Actual
Consolidated Revenue Fund	$	$	$
Revenue	22,038	22,147	22,894
Expense[2]	(25,556)	(25,196)	(24,897)
	(3,518)	(3,049)	(2,003)
Liquidation dividend (adjustment)			256
	(3,518)	(3,049)	(1,747)
Crown Corporations and Agencies			
Taxpayer–supported Crown corporations and agencies	(206)	(229)	(518)
Self–supported Crown corporations and agencies (net of dividends paid to the Consolidated Revenue Fund)	74	109	(484)
Net Crown corporations and agencies' operating result	(132)	(120)	(1,002)
Summary accounts surplus (deficit) before forecast allowance and Joint Trusteeship Agreements	(3,650)	(3,169)	(2,749)
Forecast allowance[3]	(750)		
Gain (loss) on pension settlement			1,464
Summary accounts surplus (deficit)	**(4,400)**	**(3,169)**	**(1,285)**

[1]Estimates 2002/03, as restated.

[2]Consolidated Revenue Fund expense includes restructuring exit expenses.

[3]This allowance in the Estimates numbers is to provide for spending pressures or revenue reductions that could not be anticipated at the time the Estimates were prepared.

Summary Accounts Accumulated Surplus (Deficit) for the Fiscal Year Ended March 31, 2003

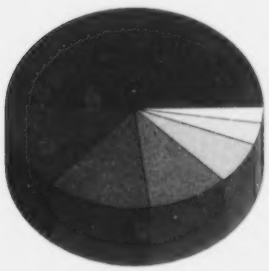
In Millions

	2002/03 Actual	2001/02 Actual
	$	$
Summary accounts accumulated surplus (deficit)—beginning of year	(4,710)	(3,509)
Adjustments[1]	(75)	9
Summary accounts accumulated surplus (deficit)—beginning of year—as restated	(4,785)	(3,500)
Summary accounts surplus (deficit)	(3,169)	(1,285)
Summary accounts accumulated surplus (deficit)—end of year	**(7,954)**	**(4,785)**

[1]See Note 26 Accumulated Surplus (Deficit) of the Summary Financial Statements for additional information.

Revenues and Expenses Charts for the Fiscal Year Ended March 31, 2003

Revenue by Category

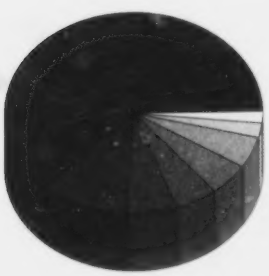


- Taxation 48.96%
- Contributions from the federal government 14.48%
- Natural resources 13.03%
- Fees and licenses 10.39%
- Self-supported Crown corporations 7.01%
- Miscellaneous 3.59%
- Investment earnings 2.54%

Revenue by Main Source

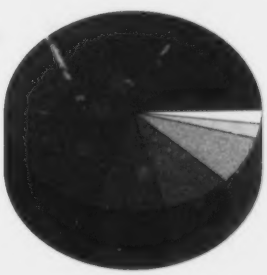
- Own source 85.52%
- Contributions from the federal government 14.48%

Expense by Function



- Health 37.97%
- Education 24.69%
- Social services 11.16%
- Transportation 6.18%
- Natural resources and economic development 5.44%
- Interest 5.30%
- Protection of persons and property 5.03%
- Other 2.37%
- General government 1.86%

Expense by Group Account Classification



- Government transfers 69.44%
- Operating costs 9.12%
- Salaries and benefits 8.94%
- Interest 7.94%
- Other 2.40%
- Amortization 2.16%

Detailed Summary Accounts Surplus (Deficit) for the Fiscal Years Ended March 31

In Millions

	2002/03 Estimates[1]	2002/03 Actual	2001/02 Actual[1]	2000/01 Actual[1]	1999/00 Actual[1]	1998/99 Actual[1]
Consolidated Revenue Fund (CRF)	$	$	$	$	$	$
Operating result before joint trusteeship[2] ...	(3,518)	(3,049)	(1,747)	1,553	(256)	(275)
Taxpayer–supported Crown Corporations and Agencies[3]						
BC Transportation Financing Authority.....	(56)	(20)		1	22	(114)
British Columbia Buildings Corporation	34	52	37	51	45	49
British Columbia Ferry Corporation.....	16	(29)	(23)	11	(299)	(114)
Forest Renewal BC			(179)	(64)	1	(265)
552513 British Columbia Ltd (Skeena Cellulose Inc).....		(4)	(69)			
Other	3	10	(6)	32	(44)	9
	(3)	9	(240)	31	(275)	(435)
Net transfers from (to) the CRF.....	(19)	(34)	(273)	(69)	(78)	(14)
Other accounting adjustments[4].....	(184)	(204)	(5)	(189)	949	(368)
	(206)	(229)	(518)	(227)	596	(817)
Self–supported Crown Corporations and Agencies[3]						
British Columbia Hydro and Power Authority.....	345	418	403	446	416	395
British Columbia Liquor Distribution Branch.....	640	654	637	642	617	616
British Columbia Lottery Corporation	660	671	606	562	532	456
British Columbia Railway Company.....	14	(84)	(107)	(7)	(582)	24
Insurance Corporation of British Columbia	(10)	45	(251)	139	96	74
Other	5	14		4	1	(23)
	1,654	1,718	1,288	1,786	1,080	1,542
Net transfers from (to) the CRF.....	(1,401)	(1,483)	(1,420)	(1,431)	(1,376)	(1,348)
Other accounting adjustments[5].....	(179)	(126)	(352)	(198)	106	(99)
	74	109	(484)	157	(190)	95
Forecast allowance.....	(750)					
Gain (loss) on pension settlement.....			1,464	(52)		
Summary accounts surplus (deficit).....	**(4,400)**	**(3,169)**	**(1,285)**	**1,431**	**150**	**(997)**

[1]Figures have been restated to reflect material changes in government accounting policies.

[2]Consolidated Revenue Fund operating result includes restructuring exit expenses.

[3]See pages 74 and 75.

[4]Fiscal 2002/03 includes adjustments made to transfer the revenue recognition of deferred capital contribution ($186 million) to contributed surplus in the BC Transportation Financing Authority.

[5]Fiscal 2002/03 includes transfers of British Columbia Lottery Corporation revenue to charities and local governments, adjustments to the British Columbia Hydro and Power Authority rate stabilization account, and adjustments to the Insurance Corporation of British Columbia and the British Columbia Railway Company financial results to bring them in line with the government fiscal year.

Reconciliation of Summary Accounts
Net Revenue / Expense to Gross Revenue / Expense
for the Fiscal Year Ended March 31, 2003

In Millions

	2003			2002
	Revenue $	Expense $	Net Surplus (Deficit) $	Net Surplus (Deficit) $
Net Consolidated Revenue Fund (CRF)[1]	22,147	(25,196)	(3,049)	(1,747)
CRF recoveries[2]	2,179	(2,179)		
Gross CRF[3]	24,326	(27,375)	(3,049)	(1,747)
Taxpayer–supported Crown corporations and agencies[4]	2,551	(2,542)	9	(240)
Self–supported Crown corporations and agencies[5]	1,766		1,766	1,085
Adjustments to eliminate transfers between organizations and co–ordinate accounting policies	(3,458)	1,563	(1,895)	(1,847)
Gross revenue/expense for the year ended March 31	**25,185**	**(28,354)**	(3,169)	(2,749)
Gain (loss) on pension settlement				1,464
Surplus (deficit) for the year ended March 31			**(3,169)**	**(1,285)**
Gross revenue/expense for the year ended March 31, 2002	**25,624**	**(28,373)**		

[1]Net CRF expense includes restructuring exit expenses.

[2]The CRF recoveries represent amounts earned and applied against expenses. Recoveries include costs and amounts recovered from outside the CRF, the offset for commissions paid for revenue collection, and bad debt expense for various revenue accounts.

[3]Represents the CRF total revenue and expense after adding recoveries to show total spending.

[4]Represents the revenue and expense of taxpayer–supported Crown corporations and agencies fully consolidated into the government reporting entity.

[5]Represents the net revenue (after deducting expenses) of self–supported Crown corporations and agencies brought into the government reporting entity on a modified equity basis.

Summary Accounts Staff Utilization[1]
for the Fiscal Year Ended March 31, 2003

	2003 Estimates	2003 Actual	2002 Actual
Consolidated Revenue Fund (CRF)[2]	31,608	29,751	33,214
Taxpayer–supported Crown corporations and agencies[3]	8,800	7,273	8,897
CRF employees funded by Crown corporations and agencies[4]			281
Total staff utilization	**40,408**	**37,024**	**42,392**

[1]Staff utilization is the full time equivalent of the number of persons employed in the fiscal year whose salaries are paid by taxpayer–supported entities within the Summary Accounts.

[2]See the Consolidated Revenue Fund Schedules at www.fin.gov.bc.ca for details of amounts included in this total.

[3]See financial statements of Crown corporations and agencies at www.fin.gov.bc.ca for details of amounts included in this total.

[4]This is comprised of employees of the ministries whose salaries are funded by Crown corporations and agencies.

Definitions

Consolidated Revenue Fund (CRF)—includes the taxpayer–supported activities of the General Fund and special funds of government through which the government delivers central government programs. It does not include the activities of government operated through Crown corporations or agencies.

Consolidation—the methods used to combine the results of Crown corporations and agencies with the Consolidated Revenue Fund. The two methods used are:

(1) full or proportional consolidation—the accounts of the Crown corporation or agency are adjusted to a basis consistent with the accounting policies of the government. The operating result and financial position of the Crown entities are combined on a "line–by–line" basis. Inter–entity accounts and transactions are eliminated upon consolidation. Proportional consolidation differs from full consolidation in that only the government's portion of operating and financial results is combined on a "line–by–line" basis.

(2) modified equity consolidation—the original investment of the government in the Crown corporation or agency is initially recorded at cost and adjusted annually to include the net earnings/losses and other net equity changes of the entity. There is no adjustment to conform to government accounting policies. Since the government ensures the ongoing activities of self–supported Crown corporations and agencies, full account is taken of losses in these entities, even when cumulative losses exceed the original investment. Accounts and transactions between self–supported entities are not eliminated; however, profit elements included in such transactions, including certain increases in contributed surplus, are eliminated.

Debt—represents the par value of the debt less sinking fund balances, internally held debt and unamortized discounts and premiums.

Deficit—meaning is dependent upon the statement to which it applies:

(i) Statement of Financial Position: the accumulated deficit is the amount by which the total liabilities of the government exceed its total assets.

(ii) Statement of Operations: the annual deficit is the amount by which the total annual expenses for the operating year exceed total annual revenues (*see* "Surplus" definition).

Entitlement—a government transfer that the government must make if the recipient meets specified eligibility criteria. Entitlements are non–discretionary in the sense that both eligibility criteria and the amount of the payment are prescribed in a statute or regulation.

Financial assets—assets on hand at the end of the accounting period, including cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities, that could provide resources to discharge existing liabilities or finance future operations.

Government business partnership—a government partnership that has all the following characteristics:

(i) is a separate legal entity with the power to contract in its own name and that can sue or be sued;

(ii) has been delegated the financial and operational authority to carry on a business;

(iii) sells goods and/or services to individuals and organizations outside the government reporting entity as its principal activity; and

(iv) can, in the normal course of its operation, maintain its operations and meet its liabilities from revenue received from sources outside the government reporting entity.

Government partnership—a contractual arrangement between the government and a party or parties outside the government reporting entity that has all the following characteristics:

(i) the partners co–operate toward achieving significant, clearly defined common goals;

(ii) the partners make a financial investment in the government partnership;

(iii) the partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and

(iv) the partners share, on an equitable basis, significant risks and benefits associated with the operation.

Government transfers—transfers of money from government to an individual, organization or another government from which the government making the transfer does not:

(i) receive any goods or services directly in return;

(ii) expect to be repaid in the future; nor

(iii)expect a financial return.

Grants—a government transfer made at the sole discretion of the government. The government has the discretion to decide whether or not to make the grant, the conditions to be complied with, if any, the amount of the grant and to whom to provide the grant.

Net liabilities—the amount by which the total liabilities of the government exceed its total financial assets. The separate calculation of this number on the Statement of Financial Position is unique to financial statements for Canadian senior governments. Can also be referred to as "net debt"; however, as this term can be confused with the term "debt" (*see* definition), the more descriptive net liabilities terminology is used by this province. Excludes non–financial assets such as buildings and prepaid expenses from total assets on the Statement of Financial Position.

Definitions—Continued

Provincial government direct debt—combines the government direct operating debt and the debt incurred to finance education, health facilities and public transit. This combined portfolio represents the debt for which the government has direct responsibility for the associated debt service costs.

Self–supported Crown corporations and agencies—all Crown corporations and agencies that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature and are owned or controlled by the government. In addition, they must also carry on a business that sells goods and/or services to persons outside the government reporting entity as their principal activity and maintain operations and meet liabilities from revenue received outside the government reporting entity in the normal course of operations. This also includes the government's interest in government business partnerships.

Summary Accounts—the financial position and operating result of the government reporting entity including the Consolidated Revenue Fund and Crown corporations and agencies; the amounts represented by the Summary Financial Statements of the government.

Surplus—meaning is dependent upon the statement to which it applies:

(i) Statement of Financial Position: the accumulated surplus is the amount by which the total assets of the government exceed its total liabilities.

(ii) Statement of Operations: the annual surplus is the amount by which the total annual revenues for the operating year exceed total annual expenses (*see* "Deficit" definition).

Taxpayer–supported Crown corporations and agencies—all Crown corporations and agencies outside the Consolidated Revenue Fund that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature and are owned or controlled by the government. In addition, they must not meet the criteria for being self–supported. This also includes the government's interest in government partnerships that are not government business partnerships.

Transfers under agreements (including shared cost)—a government transfer that is a reimbursement of eligible expenditures pursuant to an agreement between the government and the recipient. The recipient usually spends the money first, and the government has some input into how the money is spent.

Summary Financial Statements

Province of British Columbia

For the Fiscal Year Ended
March 31, 2003

BRITISH
COLUMBIA

Report of the Auditor General of British Columbia

ON THE
SUMMARY FINANCIAL STATEMENTS
OF THE GOVERNMENT OF THE
PROVINCE OF BRITISH COLUMBIA

To the Legislative Assembly
of the Province of British Columbia

As required by the *Auditor General Act,* I have audited the summary financial statements of the Government of the Province of British Columbia consisting of the statement of financial position as at March 31, 2003, and the statements of operations, changes in cash and temporary investments, and changes in net liabilities for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

Reservation

As explained in note 1(c) to these financial statements, the Government's stated accounting policies contain exceptions to generally accepted accounting principles (GAAP) for senior governments, as recommended by The Canadian Institute of Chartered Accountants, related to schools, universities, colleges and institutes, and health care organizations. Had GAAP been followed as at March 31, 2003, it would be expected that financial assets increase by $3.4 billion ($2.8 billion at March 31, 2002), liabilities increase by $3.7 billion ($3.1 billion at March 31, 2002), non-financial assets increase by $3.6 billion ($3.1 billion at March 31, 2002), and the accumulated deficit decrease by $3.3 billion ($2.8 billion at March 31, 2002). Similarly, for the year ended March 31, 2003, revenues increase by $2.4 billion ($2.2 billion for 2002), expenses increase by $2.2 billion ($2.0 billion for 2002), and the annual deficit decrease by $0.2 billion ($0.2 billion for 2002).

. . . 2

Opinion

In my opinion, except for the effects of my reservation explained in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Government of the Province of British Columbia as at March 31, 2003, the results of its operations and the changes in net liabilities and its cash and temporary investments for the year then ended, in accordance with generally accepted accounting principles for senior governments as recommended by The Canadian Institute of Chartered Accountants.

Wayne Strelioff

Victoria, British Columbia
May 16, 2003

Wayne Strelioff, CA
Auditor General

Statement of Responsibility for the Summary Financial Statements of the Government of the Province of British Columbia

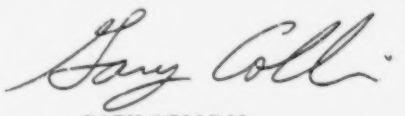
Responsibility for the integrity and objectivity of the Summary Financial Statements of the Government of the Province of British Columbia rests with the government. These financial statements are prepared by the Comptroller General in accordance with the accounting policies as determined by Treasury Board. The fiscal year of the government is from April 1 to March 31 of the following year.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control. These systems give due consideration to costs, benefits and risks, and are designed to provide reasonable assurance that transactions are properly authorized by the Legislative Assembly, are executed in accordance with prescribed regulations and are properly recorded. This is done to maintain accountability of public money and safeguard the assets and properties of the Province of British Columbia under government administration. The Comptroller General of British Columbia maintains the accounts of British Columbia, a centralized record of the government's financial transactions, and obtains additional information as required from ministries, Crown corporations and agencies to meet accounting and reporting requirements.

The Auditor General of British Columbia provides an independent opinion on the financial statements prepared by the government. The duties of the Auditor General in that respect are contained in section 11 of the *Auditor General Act*.

Annually, the financial statements are tabled in the Legislature as part of the Public Accounts, and are referred to the Select Standing Committee on Public Accounts of the Legislative Assembly. The Select Standing Committee on Public Accounts reports to the Legislative Assembly on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinions.

Approved on behalf of the Government of the Province of British Columbia:



GARY COLLINS
Chair, Treasury Board

Summary Financial Statements
Statement of Financial Position
as at March 31, 2003

	Note	In Millions 2003	2002
Financial Assets		$	$
Cash and temporary investments	3	326	780
Warehouse Program investments	4		1,067
Accounts receivable	5	2,398	2,660
Inventories for resale	6	218	250
Due from other governments	7	137	224
Due from self–supported Crown corporations and agencies	8	402	384
Equity in self–supported Crown corporations and agencies	9	2,629	2,520
Loans, advances and mortgages receivable	10	610	604
Other investments	11	328	290
Loans for purchase of assets, recoverable from agencies	12	7,381	7,552
		14,429	16,331
Liabilities			
Accounts payable and accrued liabilities	13	3,383	3,351
Due to other governments	14	325	99
Due to Crown corporations, agencies and funds	15	136	80
Deferred revenue	16	732	647
Employee pension plans (unfunded pension liabilities)	17	4	6
Taxpayer–supported debt	18	28,871	26,954
Self–supported debt	19	7,270	8,500
		40,721	39,637
Net liabilities	21	(26,292)	(23,306)
Non–financial Assets			
Tangible capital assets	22	10,950	11,206
Prepaid capital advances	23	7,108	7,033
Prepaid program costs	24	132	126
Other assets	25	148	156
		18,338	18,521
Accumulated surplus (deficit)	26	**(7,954)**	**(4,785)**
Contingencies and commitments	27		
Significant events	34		

The accompanying notes and supplementary statements are an integral part of these financial statements.

Prepared in accordance with the accounting policies as determined by Treasury Board.

ARN VAN IERSEL
Comptroller General

Summary Financial Statements
Statement of Operations
for the Fiscal Year Ended March 31, 2003

	In Millions		
	2003		2002
	Estimates (Note 31) $	Actual $	Actual $
Revenue			
Taxation (Note 28)	13,018	12,331	14,090
Natural resources	2,867	3,281	3,280
Fees and licences	2,407	2,616	2,219
Investment earnings (Note 28)	777	640	811
Miscellaneous	936	904	1,006
Net earnings of self-supported Crown corporations and agencies (Note 9)	1,651	1,766	1,085
Contributions from the federal government	3,327	3,647	3,133
	24,983	25,185	25,624
Expense			
Health (Note 29)	10,674	10,703	10,081
Social services	3,297	3,145	3,480
Education (Note 29)	6,936	6,958	6,934
Protection of persons and property	1,462	1,418	1,366
Transportation (Note 29)	1,605	1,743	1,556
Natural resources and economic development	1,208	1,532	1,841
Other	1,097	667	664
General government	500	525	564
Interest (Note 29)	1,854	1,494	1,663
	28,633	28,185	28,149
Surplus (deficit) for the year before unusual items	(3,650)	(3,000)	(2,525)
Forecast allowance	(750)		
Gain (loss) on pension settlement			1,464
Restructuring exit expense (Note 35)		(169)	(224)
Surplus (deficit) for the year	**(4,400)**	**(3,169)**	**(1,285)**
Accumulated surplus (deficit)—beginning of year as restated (Note 26)		(4,785)	(3,500)
Accumulated surplus (deficit)—end of year		**(7,954)**	**(4,785)**

The accompanying notes and supplementary statements are an integral part of these financial statements.

Summary Financial Statements
Statement of Changes in Cash and Temporary Investments
for the Fiscal Year Ended March 31, 2003

	In Millions			
	2003			2002
	Receipts $	Disburse-ments $	Net $	Net $
Operating Transactions				
Surplus (deficit) for the year			(3,169)	(1,285)
Non-cash items included in surplus (deficit)				
Amortization of tangible capital assets			608	556
Amortization of prepaid capital advances			415	401
Amortization of public debt deferred revenues and deferred charges			42	70
Concessionary loan adjustments (decreases)			(1)	(6)
Pension settlement (gain)				(1,464)
Valuation adjustments			273	336
Net earnings of self-supported Crown corporations and agencies			(1,766)	(1,085)
Accounts receivable decreases (increases)			110	(178)
Due from other governments decreases			87	140
Due from self-supported Crown corporations and agencies (increases) decreases			(18)	38
Accounts payable increases			32	229
Due to other governments increases (decreases)			226	(5)
Due to Crown corporations, agencies and funds increases			56	9
Unfunded pension liability payments			(2)	(7)
Items applicable to future operations increases			111	52
Contributions of self-supported Crown corporations and agencies			1,657	1,569
Cash derived from (used for) operations			(1,339)	(630)
Capital Transactions				
Tangible capital assets (acquisitions)	223	659	(436)	(842)
Prepaid capital advances (increases)		490	(490)	(529)
Cash (used for) capital	223	1,149	(926)	(1,371)
Investment Transactions				
Loans, advances and mortgages receivable (issues)	141	177	(36)	(58)
Other investments—net decreases (increases)		44	(44)	(25)
Cash (used for) investments	141	221	(80)	(83)
Total financing (requirements)			(2,345)	(2,084)

Summary Financial Statements
Statement of Changes in Cash and Temporary Investments for the Fiscal Year Ended March 31, 2003—Continued

	In Millions			
	2003			2002
Financing Transactions[1]	Receipts $	Disburse-ments $	Net $	Net $
Public debt increases	18,879	18,112	767	2,165
Derived from Warehouse Program investments	(3,287)	(4,354)	1,067	245
Derived from (used for) purchase of assets, recoverable from agencies	(5,787)	(5,844)	57	(94)
Cash derived from (used for) financing	9,805	7,914	1,891	2,316
Increase (decrease) in cash and temporary investments			(454)	232
Balance—beginning of year			780	548
Balance—end of year			**326**	**780**

[1]Financing transaction receipts are from debt issues and disbursements are for debt repayments.

The accompanying notes and supplementary statements are an integral part of these financial statements.

Summary Financial Statements
Statement of Change in Net Liabilities
for the Fiscal Year Ended March 31, 2003

	In Millions	
	2003	2002
	$	$
Surplus (deficit) for the year	(3,169)	(1,285)
Effect of change in tangible capital assets:		
Acquisition of tangible capital assets	(659)	(945)
Amortization of tangible capital assets	608	556
Disposals and valuation adjustments	307	274
	256	(115)
Effect of change in:		
Prepaid capital advances	(75)	(128)
Prepaid program costs	(6)	39
Other assets	8	65
	(73)	(24)
(Increase) decrease in net liabilities	(2,986)	(1,424)
Impact of accounting adjustment to net deficiency		13
Net liabilities—beginning of year	(23,306)	(21,895)
Net liabilities—end of year	**(26,292)**	**(23,306)**

The accompanying notes and supplementary statements are an integral part of these financial statements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003

1. Significant Accounting Policies

(a) REPORTING ENTITY

These financial statements include the accounts of organizations which are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, and are owned or controlled by the government. Accountability to a minister or directly to the Legislature, for purposes of the reporting entity, does not include those entities that are part of a province–wide program yet are locally based and have an initial accountability to a local board.

The reporting entity also includes government partnerships.

A list of organizations included in these consolidated financial statements may be found on pages 61 and 62.

Trusts administered by the government or a Crown corporation or agency are excluded from the reporting entity.

(b) PRINCIPLES OF CONSOLIDATION

Taxpayer–supported Crown corporations and agencies are consolidated with the Consolidated Revenue Fund using the full consolidation method. The government's interests in government partnerships are recorded on a proportional consolidation basis.

Self–supported Crown corporations and agencies and government business partnerships are consolidated with the Consolidated Revenue Fund on the modified equity basis of consolidation.

The definitions of these consolidation methods can be found on page 14.

No adjustments are made for Crown corporations and agencies whose fiscal year–ends are different from the government's fiscal year–end of March 31, unless the effect of an adjustment would be significant to the consolidated operating result.

(c) BASIS OF ACCOUNTING

The government's Summary Financial Statements are prepared in accordance with the generally accepted accounting principles (GAAP) for senior governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, with the following exceptions:

(i) Reporting entity—PSAB recommends that the reporting entity comprise all organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, and are owned or controlled by the government. The government currently does not include school districts, universities, colleges and institutes, or health care organizations (SUCH sector) in its reporting entity. These organizations will be included in 2004/05. The inclusion of universities will be reviewed annually.

(ii) Prepaid capital advances—PSAB recommends that government transfers be expensed in a government's financial statements in the period that the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria are met and a reasonable estimate of the amount can be made. Transfers to school districts, universities, colleges and institutes, and health care organizations that are for the acquisition of tangible capital assets are not expensed in the year they are issued; rather, they are treated as a prepaid expense and amortized over the life of the tangible capital assets acquired with the advances.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

1. Significant Accounting Policies—Continued

The following table provides the impact to the province's financial statements if the accounting policies were changed to conform to current PSAB:

	In Millions (Unaudited)					
	Assets	Liabilities	Net Equity	Revenue	Expense	Surplus
	$	$	$	$	$	$
Inclusion of SUCH sector and expensing prepaid capital advances—increase	**7,039**	**3,739**	**3,300**	**2,419**	**2,176**	**243**

The *Budget Transparency and Accountability Act* requires that any exceptions to GAAP be eliminated for fiscal 2004/05.

(d) SPECIFIC ACCOUNTING POLICIES

Revenue

All revenue is recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The exception is corporation income tax, which is recorded on a cash basis.

Government transfers are recognized as revenues in the period during which the transfer is authorized and any eligibility criteria are met.

Tax credits/offsets are accrued on the same basis as the associated tax revenues and reduce gross taxation revenue but are not considered valuation allowances.

Expenses

The cost of all goods consumed and services received during the year is expensed.

Interest expense is recorded net of sinking fund earnings.

Pension expense is calculated as the cost of pension benefits earned by employees during the year, interest on the pension benefits liability net of pension plan assets and amortization of the government's share of any experience gains or losses, less contributions made by members. The estimated total cost of the government's share of the plan amendments related to past service is expensed in the year the plan is amended.

Government transfers include grants, entitlements and transfers under agreements, as defined on pages 14 and 15. Government transfers are recognized as expenses in the period in which the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made. This excludes transfers that meet the criteria for a prepaid capital advance.

Acquisitions of tangible capital assets and prepaid capital advances are recorded as assets and the cost is amortized over the useful life of the relevant tangible capital asset. Tangible capital assets not related to a capitalized class of assets are expensed in the year of acquisition.

Restructuring exit expenses are recorded when a restructuring plan in appropriate form has been approved by the province. To qualify, the expense must not be associated with or benefit activities that will be continued by the government reporting entity. In addition, the expense must:

(i) be incremental to other expenses incurred in normal operations and incurred as a direct result of the restructuring plan; or

(ii) represent amounts to be incurred under an existing contractual obligation that will continue after the restructuring plan is completed with no economic benefit to the government; or

(iii) represent a penalty or compensation incurred to cancel an existing contractual obligation.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

1. Significant Accounting Policies—Continued

Assets

Assets are recorded to the extent that they represent cash and claims upon outside parties, items held for resale to outside parties, prepaid expenses, deferred charges, prepaid capital advances or tangible capital assets acquired as a result of events and transactions prior to the year–end.

Financial Assets

Temporary investments and Warehouse Program investments include short–term investments recorded at the lower of cost or market value.

Inventories for resale include property which has been purchased, or for which development costs have been incurred, that is held for ultimate resale or lease to outside parties. Inventories for resale are recorded at the lower of cost or net realizable value.

Equity in self–supported Crown corporations and agencies represents the province's investment (including long–term advances) in those self–supported Crown corporations and agencies at cost, adjusted for increases and decreases in the investees' net assets.

Loans and advances are recorded at cost less adjustment for any prolonged impairment in value. Mortgages receivable are recorded at the principal amount less valuation allowance, are secured by real estate and are repayable over periods ranging up to thirty years. Concessionary loans and mortgages are recorded at net present value at issue and related present value discounts are expensed. Valuation allowances are made when collectibility is considered doubtful.

Other investments are recorded at the lower of cost of acquisition (which may be adjusted by attributed income) or estimated current value. Valuation adjustments are made when the value of investments is impaired.

Loans for purchase of assets, recoverable from agencies are recorded at maturity value less unamortized premium/discount and sinking fund balances. Premium/discount is amortized on a constant yield basis.

Non–Financial Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Estimated cost is used to record existing tangible capital assets when actual cost is unknown. The recorded cost, less the residual value, is generally amortized over the estimated useful lives of the assets on a straight–line basis except for some transportation equipment which is amortized using the sinking fund method.

All significant tangible capital assets of government organizations and operations have been capitalized. Crown land is capitalized at a nominal value of $1.

Prepaid capital advances are provided to school districts, post–secondary educational institutions, health care organizations and other specified government organizations to fund capital asset acquisitions. The province has an on–going claim on the assets of these organizations. Prepaid capital advances are amortized over the useful life of the assets funded.

Liabilities

All liabilities are recorded to the extent that they represent claims payable to outside parties as a result of events and transactions prior to the year–end, including probable losses on loan guarantees issued by the province, contingent liabilities when it is likely a liability exists and the amount of the liability can be reasonably determined on an individual or portfolio basis, and unfunded pension liabilities.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

1. Significant Accounting Policies—Continued

Employee Pension Plans (Unfunded Pension Liabilities)

The province accounts for employee pension plans by recognizing a liability and an expense in the reporting period in which the employee has provided service. The amount is calculated using the accrued benefit actuarial cost method. Where plans are in a net asset position, and Joint Trusteeship Agreements restrict access to the assets, the province records the value of plan net assets as nil. Changes in net liabilities/assets which arise as a result of estimation adjustments due to experience gains and losses or changes in actuarial assumptions are amortized on a straight–line basis over the average remaining service life of employees active at the date of the adjustments. Past service costs from plan amendments are recognized in full in the year of the amendment.

Unfunded pension liabilities of the Members of the Legislative Assembly Superannuation Account represent the terminal funding that would be required from the province for the difference between the present value of the obligations for future benefit entitlements and the amount of funds available in the account.

Public Debt

Public debt represents the direct debt obligations of the Province of British Columbia, including borrowings incurred for government operating purposes, the acquisition of capital assets, for re–lending to authorized government bodies and for borrowings in advance of future requirements under the Warehouse Program. Public debt consists of short–term promissory notes, notes, bonds and debentures, bank loans, capital leases and mortgages payable. These obligations are recorded at principal less unamortized premium or discount and sinking fund balances where applicable. Public debt is reported under two categories: (1) taxpayer–supported, and (2) self–supported.

(1) Taxpayer–supported debt includes direct debt used for government operating and capital purposes, and the debt of Crown corporations and agencies that requires an operating or debt servicing subsidy from the provincial government or which are fully consolidated within these financial statements.

(2) Self–supported debt includes the portion of debt of commercial Crown corporations and agencies that has been borrowed through the government's fiscal agency loan program. It does not include all debt of commercial Crown corporations and agencies as these entities are consolidated on the modified equity basis. Commercial Crown corporations and agencies fully fund their operations and debt from revenue generated through the sale of goods and/or services at commercial rates to buyers that are outside the government reporting entity. Self–supported debt includes debt of the Warehouse Program.

Debt premium/discount is amortized on a constant yield basis. Unamortized premium/discount on bonds called and refinanced is amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter.

When it has been determined that there are sufficient securities to satisfy scheduled interest and principal payments for a debt instrument, the sinking fund assets are set aside in a defeased trust account. The debt and the related securities used to extinguish the debt are removed from the province's Statement of Financial Position. The debt is considered extinguished for financial reporting purposes.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year–end. Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts that specify the rate of exchange. Adjustments to revenue or expense transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency gains and losses on long–term, fixed–term monetary assets and liabilities are reported as deferred charges and amortized over the remaining terms of the related items on a straight–line basis. Non–monetary assets and liabilities are translated at historical rates of exchange.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

1. Significant Accounting Policies—Continued

Derivative Financial Instruments

The province is a party to financial instruments with off–balance sheet risk due to fluctuations in foreign currency exchange rates, interest rate fluctuations and counterparty default on financial obligations. The province does not use derivative financial instruments for speculative purposes. Off–balance sheet position data is given in the form of nominal principal amounts outstanding. Amounts paid and received under swaps are recognized and offset against the related interest expense. Gains and losses on terminated derivative contracts are deferred and amortized over the lesser of the remaining term of the contract or the related debt.

(e) CHANGE IN ACCOUNTING TREATMENT

Federal Equalization Program

The province has changed its method of recognizing revenue under the Federal Equalization Program from the cash basis to the accrual method of accounting.

The new method of calculating includes an estimate of the revenue earned under the Federal Equalization Program rather than recording cash revenue. The impact on the 2002/03 fiscal year is a $58 million (2002: $68 million) reduction in total revenue. A federal overpayment of $188 million on the 2002/03 entitlement has also been recorded as repayable to the federal government. If this accounting change had not been implemented, the Summary Financial Statements operating result would have been a deficit of $3,111 million (2002: $1,217 million).

2. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty in these financial statements exists in the accruals for pension obligations, Canada Health and Social Transfer (CHST), the Federal Equalization Program and personal income tax.

The nature of the uncertainty in the accruals for pension obligations arises because actual results may differ significantly from the province's best estimates of expected results based on variables such as earnings on pension investments and life expectancy of claimants. Uncertainty related to the accrual for CHST, the Federal Equalization Program and personal income tax arises because of the possible differences between the estimated and actual economic growth and related impact on taxes receivable.

British Columbia Hydro and Power Authority (BC Hydro), a wholly owned self–supported Crown corporation, is directly exposed to counterparty credit risk as a result of the purchase and sale of electricity and natural gas. During fiscal year 2001, the rapid rise of wholesale power prices and in–state supply shortages caused significant financial hardship for a number of utilities in California, resulting in defaults on payments. As a result, BC Hydro has not recognized as revenue some amounts owed to it from sales to these utilities and has recorded provisions for uncollectible amounts and legal costs, which, in management's best estimate, are sufficient to cover any remaining exposure. Due to the instability in the California market and ongoing regulatory and legal proceedings, management cannot predict the outcome and the amount ultimately collected may differ materially from management's current estimate.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

3. Cash and Temporary Investments

	In Millions	
	2003	2002
	$	$
Cash (cheques issued in excess of funds on deposit)	(233)	(319)
Temporary investments[1]	559	1,099
	326	**780**

[1]Temporary investments consist mainly of units in the British Columbia Investment Management Corporation Pooled Investment Portfolios. Units are carried at the lower of cost of acquisition adjusted by income attributed to the units or market value.

4. Warehouse Program Investments

	In Millions	
	2003	2002
	$	$
Temporary investments[1]		1,077
Deferred charges		3
Accrued interest payable		(13)
	0	**1,067**

[1]Temporary investments consist of corporate and bank discount notes.

5. Accounts Receivable

	In Millions	
	2003	2002
	$	$
Taxes receivable	1,368	1,545
Trade accounts receivable	1,332	1,375
Accrued interest	315	274
	3,015	3,194
Provision for doubtful accounts	(617)	(534)
	2,398	**2,660**

6. Inventories for Resale

	In Millions	
	2003	2002
	$	$
Properties	77	85
Small Business Forest Enterprise Program	131	148
Other	10	17
	218	**250**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

7. Due from Other Governments

	In Millions 2003	2002
	$	$
Government of Canada		
Current	97	162
Long-term	1	
Provincial governments		
Current	14	14
Local governments[1]		
Current	24	47
Long-term	1	1
	137	**224**

[1]Local governments are municipal units established by the provincial government which include regional and metropolitan municipalities, cities, towns, townships, districts, rural municipalities and villages.

8. Due from Self-supported Crown Corporations and Agencies

	In Millions 2003	2002
	$	$
British Columbia Hydro and Power Authority	338	332
British Columbia Lottery Corporation	62	50
Columbia Power Corporation	2	2
	402	**384**

See page 67 for details.

9. Equity in Self-supported Crown Corporations and Agencies

	In Millions 2003			2002
	Investments $	Unremitted Earnings $	Total $	Total $
British Columbia Hydro and Power Authority		1,630	1,630	1,617
British Columbia Railway Company	258	113	371	367
Columbia Power Corporation	276	17	293	282
Insurance Corporation of British Columbia		319	319	239
Provincial Capital Commission		16	16	15
	534	**2,095**	**2,629**	**2,520**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

9. Equity in Self-supported Crown Corporations and Agencies—Continued

In Millions

Change in Equity in Self-supported Crown Corporations and Agencies	2003 Investments $	2003 Unremitted Earnings $	2003 Total $	2002 Total $
Balance—beginning of year	534	1,986	2,520	3,001
Net earnings of self-supported Crown corporations and agencies		1,766	1,766	1,085
Contributions paid to the Consolidated Revenue Fund		(1,483)	(1,483)	(1,420)
Adjustments to contributions paid		(174)	(174)	(149)
Adjustments to unremitted earnings				3
Balance—end of year	**534**	**2,095**	**2,629**	**2,520**

See pages 67 and 68 for details.

10. Loans, Advances and Mortgages Receivable

In Millions

	2003 $	2002 $
Loans and Advances		
BC Student loans	302	204
Industrial Development Fund commercial loans	135	135
Land Tax Deferment loans	144	141
Construction loans to social housing projects	24	121
Accountable advances	29	12
Miscellaneous	82	81
	716	694
Provision for doubtful accounts	(145)	(119)
	571	575
Mortgages Receivable		
Reconstruction Program	41	30
Miscellaneous	17	14
	58	44
Provision for doubtful accounts	(19)	(15)
	39	29
	610	**604**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

10. Loans, Advances and Mortgages Receivable—Continued

The BC Student Loan program provides loans to students for higher education. Students are required to repay these loans, through a contracted service provider, to the province over a maximum of 174 months with a floating interest rate of prime plus 2.5%. Defaulted loans are due on demand with interest at a floating rate of prime plus 2.5%. The program also administers defaulted student loans issued by financial institutions under a risk sharing agreement with the province. Defaulted risk sharing loans arise due to bankruptcy or death of the student while attending school.

The Industrial Development Fund provided loans to assist the establishment of new industry, the introduction of new technology to existing industry, or the development of a region of British Columbia. These loans incur interest at rates ranging from 0% to 10%. The Industrial Development Fund was eliminated pursuant to the repeal of the *Industrial Development Incentive Act* under the *Budget Measures Implementation Act, 2002*. No loans were issued after March 31, 2002.

The Land Tax Deferment program allows eligible individuals to defer payment of all, or a portion of, annual property taxes due on residences. Eligible individuals are either 60 years or older, a surviving spouse or a disabled person. Simple interest is charged on the deferred taxes at a rate set semi–annually by the Ministry of Finance. This rate is generally 2.0% below the prime rate. The deferred taxes, plus any outstanding interest, must be repaid when the residence is transferred to a new owner.

Construction loans are provided by British Columbia Housing Management Commission (BCHMC), a taxpayer–supported Crown corporation, and an approved lender under the *National Housing Act*. BCHMC provides construction loans for societies that are building approved projects under social housing programs. Interest is payable at the province's weighted average borrowing rate for short–term funds, plus administration costs. Loans are repaid at substantial completion of each project from financing arranged with private lenders.

Accountable advances represent funds issued for program costs, which have not yet been expended in accordance with the applicable agreements.

The Reconstruction Program provides financial assistance to homeowners to pay for repairs to homes with premature building envelope failure. The financial assistance is provided in the form of subsidized interest loans, no–interest loans or deferred payment loans and secured by registered mortgages. This program is administered by Homeowner Protection Office.

Miscellaneous mortgages receivable have terms ranging from less than 1 year to 20 years, with some loans being payable on demand. Interest rates range from 3.5% to 10%.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

11. Other Investments

	In Millions 2003	2002
	$	$
Government of Canada bonds	18	26
Provincial government bonds	63	33
Commercial loans and investments	111	111
Pooled Investment Portfolios	45	82
Columbia Basin Trust investments	152	93
Miscellaneous	54	71
	443	416
Provision for doubtful accounts	(115)	(126)
	328	**290**

Government of Canada bonds have a market value of $18.7 million (par value $18.4 million), with yields ranging from 3.671% to 5.265%. Maturity dates range from June 18, 2004 to June 1, 2012.

Provincial bonds of various provinces have a market value of $64.4 million (par value $59.4 million), with yields ranging from 3.682% to 5.447%. Maturity dates range from April 22, 2003 to July 22, 2013.

Commercial loans and investments are recorded at the lower of cost of acquisition adjusted by attributed income and market value. A provision in the full amount of these loans has been recorded.

Pooled investment portfolios consist of units in the British Columbia Investment Management Corporation's BC Focus Fund and Illiquid Fund. These funds' investments consist primarily of debt and equity holdings of privately held companies.

Columbia Basin Trust investments include $15 million in bankers acceptances and deposits. Deposit holdings are not marketable, but Columbia Basin Trust may, on ninety days written notice, redeem up to 10% of deposits initially made for a period of one year or longer, without cost or penalty, provided that such redemption occurs only once during a particular deposit's term. Also included is a $137 million equity investment in power project joint ventures developed in partnership with Columbia Power Corporation.

12. Loans for Purchase of Assets, Recoverable from Agencies

	In Millions 2003	2002
	$	$
British Columbia Hydro and Power Authority	6,742	6,770
British Columbia Railway Company	481	599
Columbia Power Corporation	47	63
Improvement districts	6	6
Pacific Racing Association		5
Post-secondary educational institutions	105	114
	7,381	7,557
Provision for doubtful accounts		(5)
	7,381	**7,552**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

13. Accounts Payable and Accrued Liabilities

	In Millions	
	2003	2002
	$	$
Trade accounts payable and other liabilities	1,653	1,594
Accrued interest on debt	789	779
Accrued employee leave entitlements	218	244
Other accrued estimated liabilities[1]	723	734
	3,383	**3,351**

[1]Includes pending litigation, provision for guaranteed debt payout and other miscellaneous accrued claims.

14. Due to Other Governments

	In Millions	
	2003	2002
	$	$
Government of Canada		
Current	300	69
Provincial governments		
Current	22	14
Local governments[1]		
Current	3	16
	325	**99**

[1]Local governments are municipal units established by the provincial government which include regional and metropolitan municipalities, cities, towns, townships, districts, rural municipalities and villages.

15. Due to Crown Corporations, Agencies and Funds

	In Millions	
	2003	2002
	$	$
British Columbia Liquor Distribution Branch	44	3
Health care organizations	1	
Post-secondary educational institutions	1	1
Trust funds	90	76
	136	**80**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

16. Deferred Revenue

	In Millions	
	2003	2002
	$	$
Medical Services Plan premiums	69	55
Motor vehicle licences and permits	166	161
Petroleum, natural gas and minerals, leases and fees	32	29
Water rentals and recording fees	76	71
Derivative debt instruments	72	16
Unearned lease revenue	107	106
Federal and municipal highway project revenues	36	35
Forest Stand Management Fund	16	14
Miscellaneous	158	160
	732	**647**

17. Employee Pension Plans (Unfunded Pension Liabilities)

	In Millions	
	2003	2002
	$	$
Members of the Legislative Assembly Superannuation Account	4	6

The province contributes to four defined benefit pension plans for substantially all its employees and to the Members of the Legislative Assembly Superannuation Account (the Account). The four pension plans are the Public Service Pension Plan, the Municipal Superannuation Plan, the Teachers' Pension Plan and the College Pension Plan. When Members of the Legislative Assembly become eligible for pension benefits, their pension assets and obligations are transferred from the Account to the Public Service Pension Plan. The plans provide pensions based on length of service and highest five–year average earnings. They do not provide for inflation protection other than that set aside in special inflation accounts.

There are additional employee pension plans in Crown corporations and agencies consolidated on the modified equity basis. Net assets or net liabilities of the pension funds are included in the investment balance of the particular Crown corporation or agency.

The estimated financial position as at March 31, 2003 for each plan consists of the accrued benefit obligation less the pension fund assets, as follows:

	In Millions				
	Public Service Pension Plan	Municipal Superannu–ation Plan	Teachers' Pension Plan	College Pension Plan	Total
	$	$	$	$	$
Accrued benefit obligation	8,485	8,539	9,546	891	27,461
Pension fund assets	10,340	9,475	9,809	1,232	30,856
Accrued net obligation (asset)	**(1,855)**	**(936)**	**(263)**	**(341)**	**(3,395)**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

17. Employee Pension Plans (Unfunded Pension Liabilities)—Continued

The College, Public Service, Municipal and Teachers' plans are joint trusteeship plans. In joint trusteeship plans, control of the plans and their assets are assumed by individual pension boards made up of government and plan member representatives. Provisions of these plans stipulate that the province has no formal claim to any pension plan surpluses or assets. In addition, all plans are administered by the British Columbia Pension Corporation (BCPC).

In the event that a plan deficit is determined by an actuarial valuation (performed every three years), the pension boards, by agreement, are required to address it through contribution adjustments or other means. It is expected, therefore, that any unfunded liabilities in the future will be short–term in nature.

The reported net assets of the pension plans are under joint trusteeship agreements which limit the province's possible conditional share to 50%. The province has no claim on accrued asset amounts. If the individual pension boards decide to reduce or suspend employer contributions for a period of time, the province may record an asset. Therefore, the recorded value of the net assets is nil until such time that such a decision is made. Also, only 70% of the pension fund assets and accrued benefit obligation are included for the Municipal Superannuation Plan, reflecting the province's interest in the plan.

The accrued benefit obligations and pension assets shown for 2002/03 are based on extrapolations of the most recent actuarial valuations as follows: Public Service Pension Plan (March 31, 2002); Municipal Superannuation Plan (December 31, 2000); Teachers' Pension Plan (December 31, 2000); and College Pension Plan (August 31, 2000).

The Account is also administered by the BCPC. As members of the Legislative Assembly retire, the present value of the amount required to provide a legislative member's future pension benefits is transferred from the Account to the Public Service Pension Plan from which monthly pensions are paid. Pension benefits are based on length of service and highest five–year average earnings. The unfunded pension liability for the Account represents the terminal funding that would be required from the province for the difference between the present value of the obligations for future benefit entitlements and the amount of funds available in the Account.

Key actuarial assumptions used in the valuations include a long–term annual rate of return on pension fund assets of 7.30% for the Public Service Pension Plan, 7.25% for the Municipal Pension Plan, 7.50% for the Teachers' Pension Plan, and 7.40% for the College Pension Plan, and long–term annual salary increases of 4.80% for the Public Service Pension Plan, 4.75% for the Municipal Pension Plan, 5.00% for the Teachers' Pension Plan, and 4.90% for the College Pension Plan.

The audited financial statements of each pension plan listed, along with full descriptions, benefit formulas, inflation assumptions and funding policies may be found at www.pensionsbc.ca.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

18. Taxpayer–supported Debt[1]

In Millions

	Year of Maturity	Canadian Dollar	US Dollar[2]	Japanese Yen[2]	Other Currencies[2]	2003 Canadian Dollar Total	2002 Canadian Dollar Total
Short–term promissory notes	2003						928
	2004	976				976	
Notes, bonds and debentures[3]	2003						2,278
	2004	1,401			510	1,911	1,810
	2005	1,048	490		585	2,123	2,081
	2006	2,296				2,296	1,940
	2007	1,437	1,179		370	2,986	2,746
	2008	943	828	59	418	2,248	946
	2008–2013	7,398	1,452	204	833	9,887	8,903
	2013–2018	1,958	155			2,113	2,113
	2018–2023	1,652				1,652	1,238
	2023–2028	2,467				2,467	2,457
	2028–2033	3,110				3,110	2,810
	2033–2038						
	2038–2043	365				365	365
Total debt issued at face value		**25,051**	**4,104**	**263**	**2,716**	32,134	30,615
Sinking funds[4]						(3,135)	(3,525)
Unamortized discount						(119)	(121)
Amount held in the Consolidated Revenue Fund						(9)	(15)
Total taxpayer–supported debt						**28,871**	**26,954**

The effective interest rates (weighted average percent) as at March 31 on the above debt are:

2003	5.89
2002	6.00

[1]The balances and interest rates reflect the impact of the related derivative contracts, presented in Note 20 (Risk Management and Derivative Financial Instruments).

[2]Foreign currencies include: $2,667 million US ($4,104 million Canadian); 22,000 million Japanese yen ($263 million Canadian); 191 million pounds sterling ($510 million Canadian); 1,000 million Swiss francs ($1,003 million Canadian); and 741 million euros ($1,203 million Canadian). Effective January 1, 2002, debt originally issued in and totalling 2,499 million French francs and 703 million deutsche marks was converted at established fixed exchange rates (6.55957 French francs for 1 euro and 1.95583 deutsche marks for 1 euro) and is now reported in euros.

[3]Notes, bonds and debentures include $6 million (2002: $25 million) in bank loans, $47 million (2002: $79 million) in capital leases and $138 million (2002: $142 million) in mortgages.

[4]Sinking fund balances include assets totalling $138 million (2002: $198 million) invested in the Matched Book Program and assets totalling $2,997 million (2002: $3,327 million) set aside for orderly repayment of debt. Sinking funds at March 31, 2003, totalling nil US (2002: $148 million US) act as a natural hedge of the US dollar debentures. Sinking funds are administered by the British Columbia Investment Management Corporation.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

18. Taxpayer–supported Debt—Continued

Notes, bonds and debentures

Redeemable by the bond holder

Balances include debentures issued to the Canada Pension Plan totalling $3,447 million (2002: $3,328 million) at a weighted average interest rate of 9.27% (2002: 10.13%). These debentures mature at various dates from April 5, 2003 to January 6, 2023, with interest rates varying between 5.61% and 14.06%. These debentures are redeemable in whole or in part before maturity, on six months' prior notice, at the option of the Minister of Finance of Canada, subject to certain restrictions. During the year, $414 million in Canada Pension Plan debentures were issued. Under Canada Pension Plan legislation, any significant amendment to benefits or contributions requires the approval of the legislature of two–thirds of the provinces.

Balances include 5.45% debentures, due August 17, 2028, totalling $200 million (2002: $200 million). The holders have a put option which, if exercised, would result in the bond maturing on August 17, 2005. If the option is not exercised, the debenture will mature on August 17, 2028, and the effective rate on the bond will be 5.62% for the period August 18, 2005 to August 17, 2028.

Balances include 5.86% debentures, due June 18, 2029, totalling $250 million (2002: $250 million). The holders have a put option which, if exercised, would result in the bond maturing on June 19, 2006. If the option is not exercised, the debenture will mature on June 18, 2029.

Balances include British Columbia Savings Bonds totalling $229 million (2002: $355 million) maturing at dates from October 15, 2005 to October 15, 2007, and with an effective rate of 2.70% are redeemable at par by the holder each April 15 and October 15 prior to maturity.

Redeemable by the province

Balances include debentures issued to the Canada Pension Plan totalling $3,447 million (2002: $3,328 million) at a weighted average interest rate of 9.27% (2002: 10.13%). These debentures mature at various dates from April 5, 2003 to January 6, 2023, with interest rates varying between 5.61% and 14.06%. These debentures are redeemable in whole or in part before maturity, on 30 days' prior notice, at the option of the province.

Issues totalling $80 million (2002: $80 million) with effective rates ranging from 2.76% to 2.88% are redeemable at par at the province's option on dates ranging from August 5, 2003 to April 9, 2013.

Defeasances

At March 31, 2003, sufficient securities had been set aside in a defeasance trust account to satisfy the scheduled interest and principal payment requirements of $814 million (2002: $931 million). The securities are government of Canada bonds, provincial bonds or BC Municipal Finance Authority securities which are held to maturity and match the timing and specific amounts required to pay the interest and principal payments on the debt. The debt is considered extinguished for financial reporting purposes. The debt and related securities used to extinguish the debt are removed from the province's Statement of Financial Position.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

18. Taxpayer–supported Debt—Continued

Notes, bonds and debentures—Continued

Aggregate payments to meet sinking fund instalments and retirement provisions

Aggregate payments for the next five years to meet sinking fund instalments and retirement provisions on notes, bonds and debentures are:

	In Millions
	$
2004	1,395
2005	1,826
2006	2,094
2007	2,772
2008	2,114

19. Self–supported Debt[1]

		In Millions					
	Year of Maturity	Canadian Dollar	US Dollar[2]	Japanese Yen[2]	Other Currencies[2]	2003 Canadian Dollar Total	2002 Canadian Dollar Total
Short–term promissory notes	2003						1,461
	2004	373	814			1,187	
Notes, bonds and debentures	2003						446
	2004	300				300	619
	2005	388	75	135		598	598
	2006	413				413	793
	2007	314				314	565
	2008	9	421			430	249
	2008–2013	1,318	73		150	1,541	868
	2013–2018	350				350	350
	2018–2023	1,196				1,196	1,251
	2023–2028	175	735			910	972
	2028–2033	575				575	875
	2033–2038		441			441	478
	2038–2043	50				50	50
Total debt issued at face value		**5,461**	**2,559**	**135**	**150**	8,305	9,575
Sinking funds[3]						(1,029)	(1,071)
Unamortized discount						(6)	(4)
Total self–supported debt						**7,270**	**8,500**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

19. Self–supported Debt—Continued

The effective interest rates (weighted average percent) as at March 31 on the above debt are:

2003	6.25
2002	5.79

[1]The balances and interest rates reflect the impact of the related derivative contracts, presented in Note 20 (Risk Management and Derivative Financial Instruments).

[2]Foreign currencies include: $1,747 million US ($2,559 million Canadian); 10,000 million Japanese yen ($135 million Canadian); 97 million euros ($150 million Canadian). Effective January 1, 2002, debt originally issued in and totalling 637 million French francs was converted at established fixed exchange rates (6.55957 French francs for 1 euro) and are now reported in euros.

[3]Sinking funds at March 31, 2003, totalling $372 million US (2002: $415 million US) act as a natural hedge of the US dollar debentures and short–term promissory notes. Sinking funds are administered by the British Columbia Investment Management Corporation.

Notes, bonds and debentures

Redeemable by the bond holder

Balances include debentures issued to the Canada Pension Plan totalling $317 million (2002: $397 million) at a weighted average interest rate of 11.11% (2002: 10.41%). These debentures mature at various dates from July 10, 2004 to June 9, 2009, with interest rates varying between 9.62% and 14.06%. These debentures are redeemable in whole or in part before maturity, on six months' prior notice, at the option of the Minister of Finance of Canada, subject to certain restrictions. During the year, no Canada Pension Plan debentures were issued for self–supported debt. Under Canada Pension Plan legislation, any significant amendment to benefits or contributions requires the approval of the legislature of two–thirds of the provinces.

Redeemable by the province

Balances include debentures issued to the Canada Pension Plan totalling $317 million (2002: $397 million) at a weighted average interest rate of 11.11% (2002: 10.41%). These debentures mature at various dates from July 10, 2004 to June 9, 2009, with interest rates varying between 9.62% and 14.06%. These debentures are redeemable in whole or in part before maturity, on 30 days' prior notice, at the option of the province.

Defeasances

At March 31, 2003, sufficient securities had been set aside in a defeasance trust account to satisfy the scheduled interest and principal payment requirements of $68 million (2002: nil). The securities are government of Canada bonds or provincial bonds which are held to maturity and match the timing and specific amounts required to pay the interest and principal payments on the debt. The debt is considered extinguished for financial reporting purposes. The debt and related securities used to extinguish the debt are removed from the province's Statement of Financial Position.

Aggregate payments to meet sinking fund instalments and retirement provisions

Aggregate payments for the next five fiscal years to meet sinking fund instalments and retirement provisions on notes, bonds and debentures are:

	In Millions
	$
2004	324
2005	562
2006	422
2007	322
2008	449

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

20. Risk Management and Derivative Financial Instruments

The province borrows funds in both domestic and foreign capital markets, and manages its existing debt portfolio to achieve the lowest debt costs within specified risk parameters. As a result, the province is exposed to risks associated with interest rate fluctuations and foreign exchange rate fluctuations. In accordance with risk management policy guidelines set by the Risk Committee of the Ministry of Finance, the province uses a variety of derivative financial instruments to hedge exposure to these risks.

Derivatives used by the province include interest rate swaps, cross–currency swaps, forward foreign exchange contracts, forward rate agreements, advanced rate setting agreements and options. A derivative instrument is a financial contract with a financial institution or counterparty which is applied to effect a hedge on interest rate or foreign exchange exposure contained in the underlying provincial debt instrument. A derivative derives value from the impact of market changes on the underlying hedged debt instrument. All derivative instruments entered into by the province are recorded off–balance sheet, which is consistent with the Canadian Institute of Chartered Accountants' accounting guidelines for non–speculative hedge instruments.

The province also engages in commodity derivative hedging on behalf of the British Columbia Ferry Corporation. The objective of commodity derivative hedging is to reduce the financial risks associated with price volatility in the commodity market. As at March 31, 2003, the remaining notional amounts under commodity contracts totalled 122,000 (2002: 255,000) barrels of oil. Effective April 2, 2003 the contracts were transferred to British Columbia Ferry Services Inc. and will mature at various dates from May 31, 2003 to August 31, 2003.

The following tables present maturity schedules of the province's derivatives by type, outstanding at March 31, 2003, based on the notional amounts of the contracts.

Taxpayer–supported Debt

In Millions

Year of Maturity	Cross Currency Swaps	Interest Rate Swaps	Advanced Rate Setting Agreement	Total
	$	$	$	$
2004	510	6	200	716
2005	1,075	94		1,169
2006		895		895
2007	1,919	1,679		3,598
2008	1,305	200		1,505
6–10 years	2,599	1,598		4,197
Over 10 years	218	1,269		1,487
Total	**7,626**	**5,741**	**200**	**13,567**

As at March 31, 2003, the province has entered into an advanced rate setting agreement to lock in interest rates in advance of an expected bond issue. The hedging instrument is a Government of Canada bond, 5.75%, maturing June 1, 2029 with a notional amount of $200 million.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

20. Risk Management and Derivative Financial Instruments—Continued

Self-supported Debt

In Millions

Year of Maturity	Cross Currency Swaps	Interest Rate Swaps	Delayed Interest Rate Swap	Total
	$	$	$	$
2004		444		444
2005	279	75		354
2006		364		364
2007		300		300
2008		588		588
6–10 years	350	923	200	1,473
Over 10 years		100		100
Total	**629**	**2,794**	**200**	**3,623**

On behalf of the Columbia Power Corporation, the province entered into an advanced rate setting agreement to lock in interest rates in advance of a future non–recourse bond issue. The hedging instrument is a Government of Canada bond, 5.50 %, maturing June 1, 2010 with a notional amount of $50 million.

On behalf of British Columbia Hydro and Power Authority (BC Hydro), the province entered into a delayed interest rate swap to hedge the refinancing risk on a BC Hydro debt issue. Under the interest rate swap, the province pays a fixed semi–annual rate and receives a floating rate, starting June 21, 2004 and maturing December 21, 2012, on a notional amount of $200 million.

Interest rate risk

Interest rate risk is the risk that the province's debt servicing costs will fluctuate due to changes in interest rates. The province uses derivative contracts to manage interest rate risk by exchanging a series of interest payments, and assuming either a fixed or floating rate liability to a counterparty, based on the notional principal amount. Derivatives allow the province to alter the proportion of its debt held in fixed and floating rate form to take advantage of changes in interest rates.

The government's current policy guidelines, with respect to the provincial government direct debt portfolio, which totals $25,286 million (2002: $23,206 million), allow floating rate exposure up to 45.00% (2002: 45.00%) of this portion of the taxpayer–supported debt. At March 31, 2003, floating rate debt exposure was 40.61% (2002: 36.30%) of the government direct debt portfolio.

Under current policy guidelines for BC Hydro, the maximum floating rate exposure is 46.00% (2002: 35.00%) of their debt which totals $6,829 million (2002: $6,863 million). At March 31, 2003, floating rate debt exposure for BC Hydro was 38.40% (2002: 25.60%) of their debt.

Based on the taxpayer–supported and self–supported debt portfolios at March 31, 2003, a 1.00% increase in interest rates would result in an increase in the annual debt servicing expense of $100 million (2002: $87 million) for the taxpayer–supported debt portfolio and $25 million (2002: $34 million) for the self–supported debt portfolio.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

20. Risk Management and Derivative Financial Instruments—Continued

Foreign exchange risk

Foreign exchange risk is the risk that the province's debt servicing expense and principal payments will fluctuate due to changes in foreign exchange rates. The province uses derivative contracts to hedge foreign exchange risk by converting foreign currency principal and interest cash flows into Canadian dollar cash flows. Within specified limits set by policy, the province and provincial corporations may only assume unhedged exposure to US dollars and Japanese yen.

The government's current policy guidelines with respect to the provincial government direct debt portfolio, which totals $25,286 million (2002: $23,206 million), allow unhedged foreign debt exposure up to 10.00% (2002: 10.00%) of this portion of the taxpayer–supported debt. At March 31, 2003, unhedged foreign debt exposure in Japanese yen was 2.99% (2002: 3.16%) of the government direct debt portfolio. At March 31, 2003, there was no unhedged foreign debt exposure in US dollars for the government direct debt portfolio (2002: 3.45%).

Under current policy guidelines for BC Hydro, the maximum unhedged foreign debt exposure is 30.00% (2002: 44.00%) of their debt, which totals $6,829 million (2002: $6,863 million). At March 31, 2003, 25.20% (2002: 33.20%) of their debt was in the form of unhedged foreign debt in US dollars.

Based on the taxpayer–supported and self–supported debt portfolios at March 31, 2003, a one cent decrease in the Canadian dollar versus the US dollar would result in no increase (2002: $17 million) in the annual debt servicing expense for the taxpayer–supported debt portfolio and an increase of $15 million (2002: $32 million) in the annual debt servicing expense for the self–supported debt portfolio. A decrease of one yen versus the value of the Canadian dollar (for example, from 80 yen to 79 yen) would result in an increase to the annual debt servicing expenses of $2 million (2002: $1 million) for the taxpayer–supported debt portfolio.

Credit risk

Credit risk is the risk that the province will incur financial loss due to a counterparty defaulting on its financial obligation to the province. In accordance with the government's policy guidelines, the province reduces its credit risk by dealing with only highly rated counterparties. The province only enters into derivative transactions with counterparties that have a rating from Moody's Investors Service and Standard & Poor's of at least AA–/Aa3 or A+/A1 in the case of Canadian Schedule A banks. The province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

21. Net Liabilities

The Statement of Change in Net Liabilities (*see* page 29) shows the net impact of applying the expenditure basis of accounting. The net liabilities calculation uses the expenditure, rather than the expense, basis of accounting. Under the expenditure basis of accounting, prepaid capital advances, tangible capital assets, prepaid program costs and other assets are recorded as expenditures when calculating the current year surplus or deficit. Under the expense basis of accounting, these items are recorded on the Statement of Financial Position as assets and amortized over an applicable period of time.

22. Tangible Capital Assets

	In Millions	
	2003	2002
	Net Book Value $	Net Book Value $
Land and land improvements	796	751
Buildings (including tenant improvements)	1,049	1,152
Highway infrastructure	6,161	6,185
Ferries and related infrastructure	431	580
Transportation equipment	2,087	2,084
Computer hardware and software	269	277
Other	157	177
	10,950	**11,206**

See Statement of Tangible Capital Assets on page 69.

The estimated useful lives of the more common tangible capital assets are: buildings (10–50 years); highway infrastructure (15–40 years); ferries and related infrastructure (5–40 years); transportation equipment (5–40 years); computer hardware and software (3–5 years); and other (including vehicles, specialized equipment, and furniture and equipment) (5–20 years). Land improvements are amortized over 30 years (recreation areas) or 40 years (dams and water management systems). Tenant improvements are amortized over 5 years or the length of the relevant lease term.

Included in tangible capital assets of British Columbia Transit (BCT) and of Rapid Transit Project 2000 Ltd (RTP) are capital assets under lease to Greater Vancouver Transportation Authority (GVTA). These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to GVTA for their use under the *Greater Vancouver Transportation Authority Act* and an Order in Council (OIC) enacted thereunder, and represent one of the province's contributions toward public transportation in the Greater Vancouver Regional District. The OIC–directed lease arrangements with GVTA and BCT are for one dollar per year under an initial fifteen–year term with additional five–year renewal periods upon the agreement of BCT and GVTA. The net book value of these assets is $963 million (2002: $977 million). A similar lease arrangement is anticipated with GVTA for the RTP assets.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

23. Prepaid Capital Advances

	In Millions 2003	2002
	$	$
Health facilities	2,953	2,835
Post-secondary educational institutions	2,401	2,295
Schools	6,475	6,209
	11,829	11,339
Accumulated amortization	(4,721)	(4,306)
	7,108	**7,033**

24. Prepaid Program Costs

	In Millions 2003	2002
	$	$
Prepaid program costs[1]	**132**	**126**

[1]Includes inventories of operating material held in the Purchasing Commission and Queen's Printer warehouses pending distribution in a subsequent fiscal year. Also includes inventories of supplies and other not for resale items held by taxpayer-supported Crown corporations and agencies and charged to expenses when consumed in the normal course of operations.

25. Other Assets

	In Millions 2003	2002
	$	$
Deferred debt instrument costs	122	119
Deferred treaty costs	23	26
Other deferred costs	3	11
	148	**156**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

26. Accumulated Surplus (Deficit)

	In Millions 2003	2002
	$	$
Accumulated surplus (deficit)—beginning of year as previously reported	(4,710)	(3,509)
Adjustments to 2001/02 accumulated surplus (deficit)[1,2]	(75)	32
	(4,785)	(3,477)
Adjustments made to accumulated surplus (deficit) due to changes in accounting treatment[2]		
Small Business Forest Enterprise program silviculture liability[3]		(129)
Federal Equalization Program adjustment[4]		125
Canadian Blood Services adjustment[5]		(19)
Accumulated surplus (deficit)—beginning of year as restated[2]	(4,785)	(3,500)
Surplus(deficit) for the year[2,3,4]	(3,169)	(1,285)
Accumulated surplus (deficit)—end of year	**(7,954)**	**(4,785)**

[1]In fiscal 2001/02, the opening accumulated deficit for 2001/02 was restated to apply changes in accounting treatment and correction of errors. These adjustments were made to include British Columbia Racing Commission in the reporting entity ($4 million), to adjust British Columbia Railway Company's unremitted earnings ($6 million), to report the province's proportional interest in an equity adjustment recorded by Canadian Blood Services ($20 million), and to correct miscellaneous errors ($2 million). The total impact of these changes had the effect of decreasing the 2001/02 opening accumulated deficit by $32 million (from $3,509 million to $3,477 million).

[2]In fiscal 2002/03, further restatements to the 2001/02 accumulated deficit were made to apply additional changes in accounting treatment and correction of errors. These changes increased 2001/02 opening accumulated deficit by $23 million (from $3,477 million to $3,500 million) and increased the 2001/02 deficit by $52 million (from $1,233 million to $1,285 million). The total impact of these changes has the effect of increasing the 2002/03 opening accumulated deficit by $75 million (from $4,710 million to $4,785 million). These restatements are described in footnotes 3, 4 and 5.

[3]This adjustment resulted from a change in recognition of silviculture liabilities arising under the Small Business Forest Enterprise Program. Silviculture costs were previously expensed as incurred. This change has the effect of increasing 2001/02 accrued liabilities by $113 million and decreasing the 2001/02 deficit by $16 million.

[4]This adjustment results from a change to the accrual method of accounting for the Federal Equalization Program. The revenue was previously reported on a cash basis. This adjustment has the effect of increasing the amount due from the Government of Canada by $57 million and increasing the 2001/02 deficit by $68 million.

[5]This adjustment results from a change to the consolidation method used by Canadian Blood Services related to its investment in CBS Insurance Company. This change has the effect of increasing trade accounts receivable by $1 million, decreasing other investments by $3 million, increasing prepaid program costs by $1 million, increasing accrued liabilities by $15 million and increasing deferred revenue by $3 million. There was no impact on the 2001/02 deficit.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

27. Contingencies and Commitments

(a) GUARANTEED DEBT

Guaranteed debt as at March 31, 2003, totalled $266 million (2002: $307 million). These guarantees include amounts where indemnities have been made for explicit quantifiable loans. See Statement of Guaranteed Debt on page 70 for details.

(b) CONTINGENT LIABILITIES

(i) Litigation

The province is a defendant in legal actions and is involved in matters such as expropriation compensation disputes and tax assessment appeals. These matters may give rise to future liabilities.

The province has the following contingent liabilities where the estimated or known claim is or exceeds $100,000, but the likelihood of payment is uncertain.

	In Millions 2003	2002
	$	$
Negligence and miscellaneous	38	1,025
Contract disputes	168	196
Damages to persons or property	157	130
Expropriation disputes	120	91
Timber harvesting rights disputes		31
Property access disputes	22	13
Motor vehicle accidents	2	10
Tax disputes	8	7
	515	**1,503**

When it is determined that it is likely that a liability exists and the amount can be reasonably estimated, the amount is recorded as an accrued liability (see Note 13) and an expense. The accrued liability for litigation at March 31, 2003 was $36 million (2002: $30 million).

(ii) Guarantees and Indemnities

The province also has contingent liabilities in the form of indemnities, indirect guarantees and outstanding claims for amounts that are not explicit or reasonably estimable at this time.

(iii) Environmental Clean-up

The province is responsible for the environmental clean-up of numerous contaminated sites in the province. For those sites where the province has possession, a liability of $145 million (2002: $145 million) has been accrued based on preliminary environmental audits. This liability is based on the minimum estimated clean-up costs for those sites where an estimate has been made and it has been determined that the government is liable. Estimated clean-up costs, not already accrued, for sites under evaluation are approximately $93 million at March 31, 2003. In addition, the Ministry of Energy and Mines has determined possible net liabilities of $308 million for sites the province does not own. Many other sites remain to be evaluated; the future liability for all environmental clean-up costs is not currently determinable.

(iv) Aboriginal Land Claims

Treaty negotiations between the province, Canada and First Nations commenced in 1994. The province anticipates that these negotiations will result in modern-day treaties defining the boundaries and nature of First Nations treaty settlement lands. As of March 31, 2003, there were 42 treaty tables in various stages of negotiation, representing two-thirds of the aboriginal people in British Columbia.

When final treaty agreements are ratified, the provincial cost of treaties is recorded in the Public Accounts. Costs are amortized over the same period as the period of capital transfers established in final agreements.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

27. Contingencies and Commitments—Continued

If a final treaty is negotiated on the basis of the 1999 Sechelt Agreement in Principle (AiP), Sechelt Treaty Land would amount to approximately 2000 hectares. The province would transfer $4 million (1998 dollars) in capital transfers over a number of years. Since the signing of the AiP, however, there has been little or no progress in negotiations and a final agreement is not anticipated in the near future.

Eighty percent of funding for First Nations negotiation costs is in the form of loans from Canada and is repayable from treaty settlements. The province has committed to reimburse Canada 50% of any negotiation support loans that default, along with 50% of the interest accrued. The earliest date at which the loans are expected to become due is 2006 and the amount of any provincial liability is not determinable at this time.

Some First Nations have chosen not to negotiate through the formal British Columbia Treaty Commission process. Several have commenced litigation claiming aboriginal rights and/or title over their asserted Traditional Territories and/or challenging provincial approvals regarding resource allocation and extraction on those lands. There are also several cases that challenge the province's exclusive ownership of roads that traverse reserves and seek compensation for the use of those roads. The result of these actions is not determinable at this time.

(v)Crown Corporations

The Insurance Corporation of British Columbia (ICBC) has settled some claims which require ICBC to provide claimants with periodic payments, usually for a lifetime. ICBC has purchased annuities to make these payments; however, if the annuities are insufficient, ICBC remains responsible. The gross amount of these settlements at December 31, 2002, was approximately $569 million (2001: $537 million).

The BC Transportation Financing Authority has contingent liabilities of $80 million remaining after deducting the estimated settlement expense currently accrued from gross claims outstanding for capital projects.

Powerex, a wholly–owned subsidiary of the British Columbia Hydro and Power Authority, has been named as a defendant in a number of lawsuits regarding alleged market manipulation of energy prices in the California wholesale markets. Estimates of claims against all market participants could reach several billion US dollars. Management cannot predict the outcome of the various claims; however, Powerex believes the terms of its sales were just and reasonable.

(c) COMMITMENTS

The government has ongoing operational and capital commitments to fund a variety of programs for public welfare including health, education, social services, protection of persons and property, and management of natural resources. Any significant non–operating commitments of less than five years duration and costing more than $50 million are detailed in this note.

(i)Restructuring plan

The province is in the second year of a three–year restructuring plan. In each year, associated costs are determined, included in the Estimates, and recorded in the financial statements.

(ii)Crown Corporations

The Insurance Corporation of British Columbia had $2 million in outstanding commitments related to the Central City development, whose estimated total development cost is $225 million.

The BC Transportation Financing Authority has a number of general commitments outstanding for ongoing infrastructure projects. The approved capital program for 2003/04 is $298 million.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

28. Revenue

	In Millions 2003	2002
	$	$
Taxation revenue includes		
Personal income	4,150	5,366
Corporation income	612	1,522
Social service	3,795	3,552
Property	1,520	1,461
Other	2,254	2,189
	12,331	**14,090**

See notes at end of the Schedule of Net Revenue by Source on page 88 for additional information on taxation revenue.

	In Millions 2003	2002
	$	$
Investment earnings include		
Warehouse Program	41	90
Other	599	721
	640	**811**

29. Expense

	In Millions 2003	2002
	$	$
Interest expense by function		
Health	152	154
Education	453	458
Transportation	138	108
Interest	1,494	1,663
	2,237	**2,383**

	In Millions 2003	2002
	$	$
Total expense by group account classification		
Government transfers	19,573	19,173
Salaries and benefits	2,521	2,726
Operating costs	2,570	2,654
Amortization	608	556
Interest	2,237	2,383
Other	676	657
	28,185	**28,149**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

30. Valuation Allowances

	In Millions 2003	2002
	$	$
Accounts receivable	152	157
Inventories for resale		25
Loans, advances and mortgages receivable	31	191
Investments	6	7
Other assets		2
Accounts payable and accrued liabilities		(44)
Taxpayer–supported debt		(173)
Tangible capital assets	84	171
	273	**336**

These amounts are included in Other in expense by group account classification in Note 29 and represent the write–down of assets and liabilities in the above Statement of Financial Position categories.

31. Comparison to Estimates

The Estimates numbers on the Statement of Operations are based on Schedule H of the 2002/03 Estimates (page 277), with certain adjustments to provide a proper comparison of Estimates to 2003 Actuals.

The following table shows the adjustments to conform to 2003 Actuals:

	Original Estimates 2002/03[1]	Crown reclassification[2]	In Millions Recovery Revenue[3]	Reallocation[4]	Restated Estimates 2002/03[5]
	$	$	$	$	$
Taxation	12,955		63		13,018
Natural resources	2,853		11	3	2,867
Fees and licences	2,299		33	75	2,407
Investment earnings	76		655	46	777
Miscellaneous	689		288	(41)	936
Net earnings of self–supported Crown corporations and agencies	1,651				1,651
Contributions from the federal government	3,094		233		3,327
Recoveries	1,160		(1,160)		
	24,777	0	123	83	24,983

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

31. Comparison to Estimates—Continued

	In Millions				
	Original Estimates 2002/03[1]	Crown reclassification[2]	Recovery Revenue[3]	Reallocation[4]	Restated Estimates 2002/03[5]
	$	$	$	$	$
Health	10,486		42	146	10,674
Social services	3,372	(194)	16	103	3,297
Education	6,893			43	6,936
Protection of persons and property	1,260	48	7	147	1,462
Transportation	1,577		21	7	1,605
Natural resources and economic development	1,244	(86)	11	39	1,208
Other	1,267	232		(402)	1,097
General government	474		26		500
Interest	1,854				1,854
	28,427	0	123	83	28,633
Surplus (deficit) for the year before unusual items	(3,650)				(3,650)
Forecast allowance	(750)				(750)
	(4,400)	**0**	**0**	**0**	**(4,400)**

[1]Per Schedule H of the 2002/03 Estimates.
[2]Reclassification of certain taxpayer–supported Crown corporations to different functions to more closely follow the presentation used by Statistics Canada.
[3]Allocates recoveries to specific revenue sources in accordance with their nature, and corrects recoveries.
[4]Reallocates revenues and expenses to more closely align Estimates with the actual amounts recorded.
[5]Per Estimated Statement of Operations, page 4 of the 2003/04 Estimates.

32. Trusts Under Administration

	In Millions	
	2003	2002
	$	$
Public Trustee and Official Administrators —administered by government officials	575	579
Supreme and Provincial Court (Suitors' Funds) —administered by the Courts	22	19
Credit Union Deposit Insurance Corporation of B.C.[1] —administered by various government officials and a non–government investment corporation	104	96
Other trust funds —administered by various government officials	43	45
	744	**739**

[1]Amount for 2002 included under Supplementary Information Schedule (Segregated Funds and Trust Funds Financial Statements) in 2001/02 Public Accounts.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

33. Workers' Compensation Board of British Columbia (WCB)

WCB administers the *Workers' Compensation Act*. Its main functions are promotion of occupational health and safety, compensation for occupational injury, death or disease, and rehabilitation of injured workers. WCB collects funds necessary for its operations from employers covered under the Act, and operates similar to a trust. It is excluded from the government reporting entity. The audited financial statements of WCB at December 31 reflect the following financial information:

	In Millions	
	December 31 2002	December 31 2001
	$	$
Assets	8,078	8,467
Liabilities	8,225	8,043
Net Equity	**(147)**	**424**

	In Millions	
	December 31 2002	December 31 2001
	$	$
Revenue	795	1,502
Expense	1,366	1,789
Surplus (deficit)	**(571)**	**(287)**

34. Significant Events

Government Restructuring

The province has stated its intentions to reorganize government. As part of the reorganization, the province will discontinue some operations and invite outside investors to participate in other operations. These include, among others, liquor distribution, rail operations and highway operations.

Discontinuation of British Columbia Railway Company Operations

British Columbia Railway Company (BCRC) approved a plan for the sale or discontinuation of non-strategic lines of business. As a result, BCRC decided to sell or discontinue certain operations, including the Canadian Stevedoring Company Limited (CSCL), Vancouver Wharves, Finlay Navigation and Passenger Services. BCRC sold the assets of CSCL on February 25, 2003 for proceeds of $105 million and a gain of $37 million. An estimated $65 million (2002: $60 million) loss on the disposal of Vancouver Wharves has been booked in the province's Statement of Operations. BCRC discontinued its passenger services in October 2002. The discontinued operations involved net assets of $23 million (2002: $157 million) which have been included in the province's equity in self-supported Crown corporations and agencies of $2,629 million (2002: $2,520 million). They also resulted in a net loss of $43 million (2002: $98 million) which was included in the province's net earnings of self-supported Crown corporations and agencies of $1,766 million (2002: $1,085 million). Additional restructuring is being considered.

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

34. Significant Events—Continued

Coquihalla Highway

On May 6, 2003, the province announced its intention to seek a private sector investor who will assume responsibility for the operation, maintenance and rehabilitation of the Coquihalla Highway between Merritt and Hope. Gross toll revenue for 2002/03 was $45 million; net book value of assets at March 31, 2003 for the Merritt–Hope section of the highway was $35 million for land and $212 million for improvements. Under the proposed arrangement, the BC Transportation Financing Authority would retain ownership of the Coquihalla Highway land and right-of-way. The financial effect of this proposed transaction on the province is not determinable at this time.

British Columbia Ferry Corporation

On March 26, 2003, the Legislative Assembly passed Bill 18—*Coastal Ferry Act*. This legislation provided for, among other things: (1) creation of the British Columbia Ferry Authority (BCFA); (2) the transfer of responsibility for coastal ferry service from the province to the BCFA on April 2, 2003; (3) conversion of British Columbia Ferry Corporation (BCFC) into a company under the *Company Act*; and, (4) repeal of the *Ferry Corporation Act*. BCFC changed its name under the *Company Act* to British Columbia Ferry Services Inc. (BCFSI) and the province transferred its responsibility for coastal ferry service to BCFA on April 2, 2003 by exchanging its voting shares in BCFSI for non-voting preference shares in BCFSI and promissory notes from BCFSI. The fair value for this exchange is estimated to be $503 million. A write-down of $77 million was recorded by the province in 2003 in anticipation of the transfer of ferry assets to BCFA. This was in addition to a $52 million loss on the sale of the three PacifiCat vessels. The province does not control BCFA and BCFA's sole purpose is to hold, administer or sell its voting share in BCFSI. The province retained ownership of the land by transferring it to BC Transportation Financing Authority at a market value of approximately $74 million.

The operations of BCFC will be excluded from the government reporting entity in 2004. The following summarized financial statements show the financial position and operations of BCFC for fiscal years 2003 and 2002:

Statement of Financial Position

	In Millions 2003	2002
	$	$
Financial assets	69	52
Liabilities	134	127
Net liabilities	(65)	(75)
Non–financial assets	568	624
Accumulated surplus (deficit)	**503**	**549**

Statement of Operations

	In Millions 2003	2002
	$	$
Revenue	490	473
Expense	519	496
Surplus (deficit) for the year	**(29)**	**(23)**

Notes to Summary Financial Statements for the Fiscal Year Ended March 31, 2003—Continued

35. Restructuring Exit Expense

Reported restructuring exit expenses of $169 million (2002: $224 million) do not include an additional $80 million (2002: $211 million) for restructuring exit expenses of government organizations that were consolidated using the modified equity basis. This consists of $37 million (2002: nil) for British Columbia Hydro and Power Authority, $28 million (2002: $6 million) for the British Columbia Liquor Distribution Branch, nil (2002: $165 million) for the British Columbia Railway Company, and $15 million (2002: $40 million) for the Insurance Corporation of British Columbia (ICBC). ICBC's amount for 2002 does not include an additional $41 million for which it was fully reimbursed by the Consolidated Revenue Fund. The $41 million was included as part of the 2002 reported restructuring exit expenses of $224 million.

	In Millions	
	2003	2002
Restructuring exit expense by function	$	$
Health	6	7
Social services	17	20
Education	2	48
Protection of persons and property	2	31
Transportation	14	16
Natural resources	69	57
Other	55	13
General government	4	32
	169	**224**

	In Millions	
	2003	2002
Restructuring exit expense by group account classification	$	$
Government transfers	16	74
Salaries and benefits	89	109
Operating costs	61	33
Other	3	8
	169	**224**

36. Comparatives

Certain of the comparative figures for the previous year have been restated to conform with the current year's presentation. These restatements have had no effect on the operating result as previously reported except as specifically noted.

Summary Financial Statements
Reporting Entity
for the Fiscal Year Ended March 31, 2003

Taxpayer-supported Crown Corporations and Agencies
(Government Organizations)
Recorded on a Consolidated Basis

Consolidated Revenue Fund[1]

Health Sector

B.C. Health Care Risk Management Society[2]
British Columbia Health Research Foundation[2]
Canadian Blood Services
Forensic Psychiatric Services Commission

Education Sector

Industry Training and Apprenticeship Commission
Private Post-Secondary Education Commission

Natural Resources and Economic Development Sector

552513 British Columbia Ltd
632121 BC Ltd[2]
634349 BC Ltd[2]
BC Immigrant Investment Fund Ltd
B.C. Pavilion Corporation
British Columbia Enterprise Corporation
British Columbia Racing Commission[2]
British Columbia Trade Development Corporation
Columbia Basin Trust
Creston Valley Wildlife Management Authority Trust Fund
Discovery Enterprises Inc
Land and Water British Columbia Inc
Oil and Gas Commission
Okanagan Valley Tree Fruit Authority[2]
Partnerships British Columbia Inc[3]
Science Council of British Columbia
Tourism British Columbia
Vancouver Trade and Convention Centre Authority

Transportation Sector

BC Transportation Financing Authority
British Columbia Ferry Corporation
British Columbia Transit
Rapid Transit Project 2000 Ltd
Victoria Line Ltd

Summary Financial Statements
Reporting Entity
for the Fiscal Year Ended March 31, 2003—Continued

Taxpayer-supported Crown Corporations and Agencies (Government Organizations) Recorded on a Consolidated Basis—continued

Protection of Persons and Property

British Columbia Securities Commission[4]
Organized Crime Agency of British Columbia Society[4]

Social Services Sector

B.C. Community Financial Services Corporation
Interim Authority for Community Living British Columbia[5]
Legal Services Society[4]

Other Sector

B.C. Festival of the Arts Society
B.C. Games Society[4]
British Columbia Arts Council
British Columbia Assessment Authority
British Columbia Buildings Corporation
British Columbia Heritage Trust
British Columbia Housing Management Commission[4]
First Peoples' Heritage, Language and Culture Council
Homeowner Protection Office[4]
Pacific National Exhibition[4]
Provincial Rental Housing Corporation[4]

Self-supported Crown Corporations and Agencies (Government Enterprises) Recorded on a Modified Equity Basis

BCIF Management Ltd
British Columbia Hydro and Power Authority
British Columbia Liquor Distribution Branch
British Columbia Lottery Corporation
British Columbia Railway Company
Columbia Power Corporation
Insurance Corporation of British Columbia
Provincial Capital Commission

[1]The Consolidated Revenue Fund has been allocated to the appropriate sector on the Statements of Financial Position by Sector (page 63) and Operations by Sector (page 65).
[2]These organizations were wound up during the fiscal year.
[3]This organization changed names during the current year. It was formerly known as Duke Point Development Limited.
[4]These organizations changed sectors during the fiscal year to conform with Statistics Canada sectoral definitions.
[5]This organization began operations during the fiscal year.

Summary Financial Statements
Statement of Financial Position by Sector[1]
as at March 31, 2003

In Millions

	Health	Social Services	Education	PPP[2]	Transportation	NR and ED[3]	Other[4]	General Government[5]	Debt Servicing	Adjustments[6]	Total
Financial Assets	$	$	$	$	$	$	$	$	$	$	$
Cash and temporary investments	18	7	1	26	27	110	(1,015)	3	1,149		326
Accounts receivable	85	49	28	165	37	418	32	1,285	352	(53)	2,398
Inventories for resale					10	180	28				218
Due from the Province of British Columbia					7	6	1			(14)	
Due from other governments	18	8	50	21	16	2	21	1			137
Due from self-supported Crown corporations and agencies						341		61			402
Equity in self-supported Crown corporations and agencies				319	371	1,929	16			(6)	2,629
Loans, advances and mortgages receivable	7	4	220	1	1	141	64	172			610
Other investments	20					210	44		54		328
Loans for purchase of assets, recoverable from agencies									10,691	(3,310)	7,381
	148	68	299	532	469	3,337	(809)	1,522	12,246	(3,383)	14,429

Summary Financial Statements
Statement of Financial Position by Sector[1] as at March 31, 2003—Continued

In Millions

	Health	Social Services	Education	PPP[2]	Transportation	NR and ED[3]	Other[4]	General Government[5]	Debt Servicing	Adjustments[6]	Total
Liabilities	$	$	$	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	401	151	92	221	219	527	519	519	788	(54)	3,383
Due to other governments				51	5	2	23	244			325
Due to Crown corporations, agencies and funds	1					1	91	44		(1)	136
Due to the Province of British Columbia						5				(5)	
Deferred revenue	106	1	10	198	84	155	107		71		732
Unfunded pension liabilities								4			4
Taxpayer-supported debt	5	6		6	2,757	91	657	1	28,665	(3,317)	28,871
Self-supported debt									7,270		7,270
	513	158	102	476	3,065	781	1,397	812	36,794	(3,377)	40,721
Net liabilities	(365)	(90)	197	56	(2,596)	2,556	(2,206)	710	(24,548)	(6)	(26,292)
Non-financial Assets											
Tangible capital assets	82	33	10	77	8,924	636	1,071	117			10,950
Prepaid capital advances	1,670		5,438								7,108
Prepaid program costs	18	1		8	46	14	13	20	12		132
Other assets				23	13	1			111		148
	1,770	34	5,448	108	8,983	651	1,084	137	123	0	18,338
Accumulated surplus (deficit)	**1,405**	**(56)**	**5,645**	**164**	**6,387**	**3,207**	**(1,122)**	**847**	**(24,425)**	**(6)**	**(7,954)**

[1]Effective fiscal 2002/03, the Consolidated Revenue Fund was allocated to each of the specific sectors. It was previously shown as a separate sector.

[2]Protection of Persons and Property.

[3]Natural Resources and Economic Development.

[4]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.

[5]Includes the Legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[6]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements
Statement of Operations by Sector[1]
for the Fiscal Year Ended March 31, 2003

In Millions

	Health	Social Services	Education	PPP[2]	Transportation	NR and ED[3]	Other[4]	General Government[5]	Debt Servicing	Adjustments[6]	Total
Revenue	$	$	$	$	$	$	$	$	$	$	$
Taxation					305	39	62	11,925			12,331
Natural resources						3,281					3,281
Fees and licences	1,454	6	2	572	430	68	12	72			2,616
Investment earning	2	1	8	1	1	34	8	7	770	(192)	640
Miscellaneous	248	72	3	118	95	108	214	48	1	(3)	904
Contributions from the provincial government/self-supported Crown corporations and agencies				80	10	374	440	1,317		(455)	1,766
Contributions from the federal government	25	66	185	92	30	3	93	3,153			3,647
Total revenue	1,729	145	198	863	871	3,907	829	16,522	771	(650)	25,185

Summary Financial Statements
Statement of Operations by Sector[1]
for the Fiscal Year Ended March 31, 2003—Continued

In Millions

	Health	Social Services	Education	PPP[2]	Transportation	NR and ED[3]	Other[4]	General Government[5]	Debt Servicing	Adjustments[6]	Total
Expense	$	$	$	$	$	$	$	$	$	$	$
Government transfers	9,760	2,522	6,110	565	5	213	334	84		(20)	19,573
Salaries and benefits	296	381	38	519	385	468	168	266			2,521
Operating costs	380	205	324	295	670	561	436	35		(336)	2,570
Amortization	16	23	3	24	408	45	50	39			608
Interest					132	3	52		1,499	551	2,237
Other	258	20	483	16	276	257	15	109		(758)	676
Operating expense	10,710	3,151	6,958	1,419	1,876	1,547	1,055	533	1,499	(563)	28,185
Surplus (deficit) for the year before unusual items	(8,981)	(3,006)	(6,760)	(556)	(1,005)	2,360	(226)	15,989	(728)	(87)	(3,000)
Restructuring exit expense	(7)	(18)	(2)	(55)	(18)	(96)	(55)	(5)		87	(169)
Surplus (deficit) for the year 2002/03	**(8,988)**	**(3,024)**	**(6,762)**	**(611)**	**(1,023)**	**2,264**	**(281)**	**15,984**	**(728)**	**0**	**(3,169)**
Surplus (deficit) for the year 2001/02	**(8,845)**	**(3,348)**	**(6,790)**	**(857)**	**(1,024)**	**2,047**	**1,299**	**16,990**	**(757)**	**0**	**(1,285)**

[1]Effective fiscal 2002/03, the Consolidated Revenue Fund was allocated to each of the specific sectors. It was previously shown as a separate sector.

[2]Protection of Persons and Property.

[3]Natural Resources and Economic Development.

[4]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.

[5]Includes the Legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.

[6]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements
Statement of Self-supported Crown Corporations and Agencies
Summary of Financial Position
as at March 31, 2003

In Millions

	Utility	Insurance	Liquor	Transportation	Finance	Natural Resources	2003 Total	2002 Total
	$	$	$	$	$	$	$	$
Assets								
Cash and temporary investments	21	5,688	(2)	32	94	5	5,838	5,466
Accounts receivable	367	111	50	42	49		619	652
Inventories	88		65	83	6		242	324
Long-term investments	191	205					396	434
Tangible capital assets	10,028	92	37	876	31	15	11,079	10,830
Other assets	607	93	3	78	5		786	963
	11,302	**6,189**	**153**	**1,111**	**185**	**20**	**18,960**	**18,669**
Liabilities								
Accounts payable and accrued liabilities	1,010	4,520	144	233	123		6,030	5,791
Deferred revenue	1,070	1,350				4	2,424	2,287
Due to the Province of British Columbia	340				62		402	384
Long-term debt due to the Province of British Columbia	6,789			481			7,270	7,432
Other long-term debt	170		9	26			205	255
	9,379	5,870	153	740	185	4	16,331	16,149
Equity								
Investment by the Consolidated Revenue Fund	276			258			534	534
Unremitted earnings—end of year	1,647	319		113		16	2,095	1,986
	1,923	319	0	371	0	16	2,629	2,520
Total liabilities and equity	**11,302**	**6,189**	**153**	**1,111**	**185**	**20**	**18,960**	**18,669**

Summary Financial Statements
Statement of Self–supported Crown Corporations and Agencies
Summary of Results of Operations and Statement of Equity
for the Fiscal Year Ended March 31, 2003

In Millions

	Utility[1]	Insur–ance[2]	Liquor[3]	Transpor–tation[4]	Finance[5]	Natural Resources[6]	2003 Total	2002 Total
	$	$	$	$	$	$	$	$
Revenue	4,451	3,023	1,890	304	1,796	4	11,468	13,149
Expense	4,087	2,943	1,236	300	1,133	3	9,702	12,064
Net earnings of self–supported Crown corporations and agencies	364	80	654	4	663	1	1,766	1,085
Contributions paid to the Consolidated Revenue Fund	(340)		(654)		(489)		(1,483)	(1,420)
Adjustments to contributions[7]					(174)		(174)	(149)
Increase (decrease) in unremitted earnings in self–supported Crown corporations and agencies	24	80		4		1	109	(484)
Unremitted earnings—beginning of year	1,623	239		109		15	1,986	2,467
Adjustment to unremitted earnings[8]								3
Unremitted earnings—end of year	1,647	319		113		16	2,095	1,986
Investment by the Consolidated Revenue Fund	276			258			534	534
Equity in self–supported Crown corporations and agencies for the year	**1,923**	**319**	**0**	**371**	**0**	**16**	**2,629**	**2,520**

[1]Utility—British Columbia Hydro and Power Authority and Columbia Power Corporation.

[2]Insurance—Insurance Corporation of British Columbia (ICBC).

[3]Liquor—British Columbia Liquor Distribution Branch.

[4]Transportation—British Columbia Railway Company.

[5]Finance—British Columbia Lottery Corporation and BCIF Management Ltd.

[6]Natural Resources—Provincial Capital Commission.

[7]This adjustment is for British Columbia Lottery Corporation transfers to charities and local governments which is shown as a recovery by the Consolidated Revenue Fund.

[8]These adjustments are for three items: (1) to record the earnings of British Columbia Railway Company for the period January 1 to March 31, 2001 ($6 million), which had not been recorded due to the change made in 2002 to use the April 1 to March 31 earnings when preparing the Summary Financial Statements, (2) Provincial Capital Commission recorded land contributed by Transport Canada as a direct increase to net assets ($2 million), and (3) these amounts are partially offset by an adjustment in Columbia Power Corporation that retroactively adjusted segregated trust account earnings ($5 million).

Summary Financial Statements
Statement of Tangible Capital Assets[1]
for the Fiscal Year Ended March 31, 2003

In Millions

	Land and Land Improvements	Buildings	Highway Infrastructure	Ferries	Transportation Equipment	Computer Hardware / Software	Other	2003 Total	2002 Total
Historical Cost[2]	$	$	$	$	$	$	$	$	$
Opening cost	824	2,017	9,872	1,270	2,494	774	414	17,665	17,201
Additions	90	50	267	35	72	110	35	659	945
Disposals and valuation adjustments	(47)	(146)	(18)	(223)	(3)	(132)	(62)	(631)	(481)
	867	1,921	10,121	1,082	2,563	752	387	17,693	17,665
Accumulated Amortization									
Opening balance	73	865	3,687	690	410	497	237	6,459	6,110
Amortization expense	5	58	286	36	69	106	48	608	556
Effects of disposals and valuation adjustments	(7)	(51)	(13)	(75)	(3)	(120)	(55)	(324)	(207)
	71	872	3,960	651	476	483	230	6,743	6,459
Net book value for the year ended March 31, 2003	**796**	**1,049**	**6,161**	**431**	**2,087**	**269**	**157**	**10,950**	
Net book value for the year ended March 31, 2002	**751**	**1,152**	**6,185**	**580**	**2,084**	**277**	**177**		**11,206**

[1]This statement includes assets that are held on capital leases at March 31, 2003, at a net book value totalling $65 million (2002: $76 million) which is comprised of: ferries $20 million (2002: $20 million); heavy equipment $4 million (2002: $4 million); and vehicles $41 million (2002: $52 million).

[2]Historical cost includes work-in-progress at March 31, 2003, totalling $220 million (2002: $427 million) which is comprised of: buildings $23 million (2002: $68 million); land improvements $7 million (2002: $7 million); highway infrastructure $106 million (2002: $126 million); ferries $22 million (2002: $12 million); transportation equipment $3 million (2002: $175 million); computer hardware/software $55 million (2002: $37 million); and specialized equipment $4 million (2002: $2 million).

Summary Financial Statements
Statement of Guaranteed Debt[1]
as at March 31, 2003

Guaranteed debt represents that debt of municipalities and other governments, private enterprises and individuals, and debt and minority interests of provincial Crown corporations and agencies, which has been explicitly guaranteed or indemnified by the government, under the authority of a statute, as to net principal or redemption provisions.

	In Millions	
	2003	2002
Taxpayer–supported Guaranteed Debt	Net Outstanding[1] $	Net Outstanding[1] $
Municipalities and other local governments		
Municipal Act debentures	1	2
Subtotal, municipalities and other local governments	1	2
Government services		
Homeowner Protection Act loan guarantees	98	88
Subtotal, government services	98	88
Health and education		
Financial Administration Act student aid loans[2]	54	90
Subtotal, health and education	54	90
Economic development		
Securities Act	1	2
Financial Administration Act		
Business Development Bank Guaranteed Program	3	
Emergency Credit Enhancement Program	7	11
Farm Distress Operating Loan Program	3	3
Feeder Association's Loan Guarantee Program	5	6
Miscellaneous guarantees each less than $1 million	1	1
Home Mortgage Assistance Program Act mortgages	15	18
Home Mortgage Assistance Program Act second mortgages[3]	1	2
Subtotal, economic development	36	43
Total taxpayer–supported guaranteed debt	189	223

Summary Financial Statements
Statement of Guaranteed Debt[1]
as at March 31, 2003—Continued

	In Millions	
	2003	2002
	Net Outstanding[1] $	Net Outstanding[1] $
Self-supported Guaranteed Debt		
Economic development		
British Columbia Railway Finance Act capital leases[4]	2	4
Subtotal, economic development	2	4
Utilities		
Hydro and Power Authority Act bonds and debentures[4]	87	93
Subtotal, utilities	87	93
Total self-supported guaranteed debt	89	97
Grand total, all guaranteed debt	278	320
Provision for probable payout	(12)	(13)
Net total, all guaranteed debt[5]	**266**	**307**

[1]Guaranteed debt includes gross principal debt less sinking fund balances, and represents the total amount of contingent liability of the government arising from relevant guarantees.

[2]The government enters into risk sharing agreements with the lending institutions that provide student loans whereby the province guarantees the repayment of specific unpaid student loans under certain circumstances. Lending institutions are required to provide claims evidencing that strict criteria have been met prior to the government providing payment.

[3]The British Columbia Second Mortgage Program was sold to the Bank of Montreal in June 1989, with the condition that the province will buy back any mortgages which may become uncollectible in future years.

[4]See the financial statements of Crown corporations and agencies for details of maturity dates, interest rates and redemption features of the outstanding debt of these Crown corporations and agencies and for details of derivative financial products.

[5]Debentures totalling $0.3 million (2002: $0.2 million) have been defeased and are considered extinguished for financial reporting purposes.

Supplementary Information (Unaudited)

BRITISH COLUMBIA

Adjusted Net Income of Crown Corporations and Agencies for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Millions

Taxpayer–supported (Government Organizations)	Revenue	Expense	Net Income	Policy Adjustments	Equity Adjustments	Adjusted Net Income
	$	$	$	$	$	$
552513 British Columbia Ltd		(4)	(4)	(3)		(7)
632121 British Columbia Ltd						
634349 British Columbia Ltd						
B.C. Community Financial Services Corporation	1	(1)				
B.C. Festival of the Arts Society[1]	1	(1)				
B.C. Games Society	2	(2)				
B.C. Health Care Risk Management Society	1	(1)				
B.C. Pavilion Corporation	32	(32)		1		1
BC Immigrant Investment Fund Ltd						
BC Transportation Financing Authority	419	(439)	(20)	(179)		(199)
British Columbia Arts Council						
British Columbia Assessment Authority[2]	66	(64)	2	6		8
British Columbia Buildings Corporation	485	(433)	52	25	(14)	63
British Columbia Enterprise Corporation						
British Columbia Ferry Corporation	490	(519)	(29)	(77)	(18)	(124)
British Columbia Health Research Foundation		(4)	(4)			(4)
British Columbia Heritage Trust	1	(2)	(1)	(1)		(2)
British Columbia Housing Management Commission	263	(263)		10		10
British Columbia Racing Commission	15	(18)	(3)			(3)
British Columbia Securities Commission	19	(28)	(9)			(9)
British Columbia Trade Development Corporation	3		3	(2)		1
British Columbia Transit	136	(136)				
Canadian Blood Services	127	(127)				
Columbia Basin Trust	18	(8)	10			10
Creston Valley Wildlife Management Authority Trust Fund	1	(1)				
Discovery Enterprises Inc		(2)	(2)	4		2
First Peoples' Heritage, Language and Culture Council	2	(2)		(1)		(1)
Forensic Psychiatric Services Commission	55	(53)	2			2
Forest Renewal BC[3]					(2)	(2)
Homeowner Protection Office	24	(20)	4			4
Industry Training and Apprenticeship Commission	79	(78)	1	(1)		
Interim Authority for Community Living British Columbia	2	(1)	1	1		2

Adjusted Net Income of Crown Corporations and Agencies for the Fiscal Year Ended March 31, 2003—Continued
(Unaudited)

In Millions

	Revenue	Expense	Net Income	Policy Adjustments	Equity Adjustments	Adjusted Net Income
Taxpayer–supported (Government Organizations)—Continued	$	$	$	$	$	$
Land and Water British Columbia Inc	35	(34)	1	(1)		
Legal Services Society	76	(73)	3	1		4
Oil and Gas Commission	18	(15)	3	2		5
Okanagan Valley Tree Fruit Authority	9	(14)	(5)			(5)
Organized Crime Agency of British Columbia Society	17	(17)				
Pacific National Exhibition[2]	34	(33)	1	4		5
Partnerships British Columbia Inc[4]	4	(4)				
Private Post–Secondary Education Commission	1	(1)				
Provincial Rental Housing Corporation	19	(13)	6	5		11
Rapid Transit Project 2000 Ltd	60	(60)				
Science Council of British Columbia	2	(5)	(3)	1		(2)
Tourism British Columbia	34	(34)		1		1
Vancouver Trade and Convention Centre Authority						
Victoria Line Ltd[2]						
Net impact of taxpayer–supported Crown corporations and agencies	**2,551**	**(2,542)**	**9**	**(204)**	**(34)**	**(229)**
Self–supported (Government Enterprises)						
BCIF Management Ltd	1	(1)				
British Columbia Hydro and Power Authority	4,473	(4,055)	418	(67)	(338)	13
British Columbia Liquor Distribution Branch	1,890	(1,236)	654		(654)	
British Columbia Lottery Corporation	1,792	(1,121)	671	(182)	(489)	
British Columbia Railway Company[2]	327	(411)	(84)	88		4
Columbia Power Corporation	45	(32)	13		(2)	11
Insurance Corporation of British Columbia[2]	3,022	(2,977)	45	35		80
Provincial Capital Commission	4	(3)	1			1
Net impact of self–supported Crown corporations and agencies	**11,554**	**(9,836)**	**1,718**	**(126)**	**(1,483)**	**109**

[1]The revenues and expenses reported for this entity are as at August 31, 2002.

[2]The revenues and expenses reported for the British Columbia Assessment Authority, the Pacific National Exhibition, Victoria Line Ltd., the British Columbia Railway Company and the Insurance Corporation of British Columbia are as at December 31, 2002.

[3]This organization wound up during the 2001/02 fiscal year but had paid additional liquidation dividends that were included in 2002/03 Consolidated Revenue Fund revenue.

Impact of SUCH[1] Sector on the Summary Financial Statements Statement of Financial Position as at March 31, 2003

(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies[3]	Regional Hospital Districts[4]	Universities, Colleges and Institutes[3]	School Districts[3]	Adjustments[5]	Total[6]	Net Effect
Financial Assets	$	$	$	$	$	$	$	$
Cash and temporary investments	326	1,017		601	542		2,486	2,160
Accounts receivable	2,398	96		122		(42)	2,574	176
Inventories for resale	218			27			245	27
Due from the Province of British Columbia		156		8	4	(168)		
Due from other governments	137	20		21	29		207	70
Due from self-supported Crown corporations and agencies	402						402	
Equity in self-supported Crown corporations and agencies	2,629						2,629	
Loans, advances and mortgages receivable	610			3			613	3
Other investments	328	2		1,112			1,442	1,114
Loans for purchase of assets, recoverable from agencies	7,381					(105)	7,276	(105)
	14,429	1,291	0	1,894	575	(315)	17,874	3,445

Impact of SUCH[1] Sector on the Summary Financial Statements Statement of Financial Position as at March 31, 2003—Continued

(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies[3]	Regional Hospital Districts[4]	Universities, Colleges and Institutes[3]	School Districts[3]	Adjustments[5]	Total[6]	Net Effect
Liabilities	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	3,383	1,202		341	455	(171)	5,210	1,827
Due to other governments	325	32		14			371	46
Due to Crown corporations, agencies and funds	136	5		2		(7)	136	
Due to the Province of British Columbia		11		1	21	(33)		
Deferred revenue	732	2,563		1,789	4,253	(7,107)	2,230	1,498
Unfunded pension liabilities	4						4	
Taxpayer-supported debt	28,871	142		292	39	(105)	29,239	368
Self-supported debt	7,270						7,270	
	40,721	3,955	0	2,439	4,768	(7,423)	44,460	3,739
Net liabilities	(26,292)	(2,664)	0	(545)	(4,193)	7,108	(26,586)	(294)
Non-financial Assets								
Tangible capital assets	10,950	3,039		3,028	4,522		21,539	10,589
Prepaid capital advances	7,108					(7,108)		(7,108)
Prepaid program costs	132	79		15	15		241	109
Other assets	148	1		3			152	4
	18,338	3,119	0	3,046	4,537	(7,108)	21,932	3,594
Accumulated surplus (deficit)	**(7,954)**	**455**	**0**	**2,501**	**344**	**0**	**(4,654)**	**3,300**

[1]School districts, Universities, Colleges and institutes, and Health care organizations.

[2]See Summary Financial Statements, Statement of Financial Position, on page 25.

[3]The province does not necessarily hold title to the assets of these organizations.

[4]For fiscal 2002/03, proposed legislative changes have resulted in the Regional Hospital Districts being excluded from this schedule, which depicts the Summary Financial Statements as if the SUCH sector had been included.

[5]Represents adjustments to eliminate transactions that occurred within the SUCH sector, and between the SUCH sector and other consolidated entities included in the Summary Financial Statements.

[6]Represents Summary Financial Statements including the SUCH sector.

Impact of SUCH[1] Sector
on the Summary Financial Statements Statement of Operations
for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies	Regional Hospital Districts[3]	Universities, Colleges and Institutes	School Districts	Adjustments[4]	Total	Net Effect
Revenue	$	$	$	$	$	$	$	$
Taxation	12,331						12,331	
Natural resources	3,281						3,281	
Fees and licences	2,616	445		580	164		3,805	1,189
Investment earnings	640	27		63	19	(15)	734	94
Miscellaneous	904	294		765	69	(160)	1,872	968
Contributions from the provincial government/ self-supported Crown corporations and agencies	1,766	6,774		1,647	4,350	(12,771)	1,766	
Contributions from the federal government	3,647	10		145	13		3,815	168
Total revenue	25,185	7,550	0	3,200	4,615	(12,946)	27,604	2,419

Impact of SUCH[1] Sector on the Summary Financial Statements Statement of Operations for the Fiscal Year Ended March 31, 2003—Continued

(Unaudited)

In Millions

	Summary Statements[2]	Health Authorities and Societies	Regional Hospital Districts[3]	Universities, Colleges and Institutes	School Districts	Adjustments[4]	Total	Net Effect
Expense	$	$	$	$	$	$	$	$
Health	10,703	7,290				(6,904)	11,089	386
Social services	3,145						3,145	
Education	6,958			2,941	4,516	(6,008)	8,407	1,449
Protection of persons and property	1,418						1,418	
Transportation	1,743						1,743	
Natural resources and economic development	1,532						1,532	
Other	667					(20)	647	(20)
General government	525						525	
Interest	1,494	6		23	3	(14)	1,512	18
Total operating expense	28,185	7,296	0	2,964	4,519	(12,946)	30,018	1,833
Surplus (deficit) for the year before unusual items	(3,000)	254	0	236	96	0	(2,414)	586
Write–off of Regional Hospital Districts' net assets[3]			(340)				(340)	(340)
Restructuring exit expense	(169)			(3)			(172)	(3)
Surplus (deficit) for the year ended March 31, 2003	**(3,169)**	**254**	**(340)**	**233**	**96**	**0**	**(2,926)**	**243**
Surplus (deficit) for the year ended March 31, 2002	**(1,285)**	**26**	**27**	**193**	**(21)**	**0**	**(1,060)**	**225**

[1]School districts, Universities, Colleges and institutes, and Health care organizations.

[2]See Summary Financial Statements, Statement of Operations, on page 26.

[3]For fiscal 2002/03, proposed legislative changes have resulted in the Regional Hospital Districts being excluded from this schedule, which depicts the Summary Financial Statements as if the SUCH sector had been included in the government reporting entity.

[4]Represents adjustments to eliminate transactions that occurred within the SUCH sector, and between the SUCH sector and other consolidated entities included in the Summary Financial Statements.

Summary Financial Statements including SUCH[1] Sector
Statement of Financial Position by Sector[2]
as at March 31, 2003
(Unaudited)

In Millions

	Expanded Health[3]	Social Services	Expanded Education[3]	PPP[5]	Transportation	NR and EI[6]	Other[7]	General Government[8]	Debt Servicing	Adjustments[9]	Total
Financial Assets	$	$	$	$	$	$	$	$	$	$	$
Cash and temporary investments	1,035	7	1,144	26	27	110	(1,015)	3	1,149		2,486
Accounts receivable	168	49	125	165	37	418	32	1,285	352	(57)	2,574
Inventories for resale			27		10	180	28				245
Due from the Province of British Columbia	3				7	6	1			(17)	
Due from other governments	38	8	100	21	16	2	21	1			207
Due from self-supported Crown corporations and agencies						341		61			402
Equity in self-supported Crown corporations and agencies				319	371	1,929	16			(6)	2,629
Loans, advances and mortgages receivable	8	4	222	1	1	141	64	172			613
Other investments	22		1,112			210	44		54		1,442
Loans for purchase of assets, recoverable from agencies									10,691	(3,415)	7,276
	1,274	68	2,730	532	469	3,337	(809)	1,522	12,246	(3,495)	17,874

Summary Financial Statements including SUCH[1] Sector
Statement of Financial Position by Sector[2]
as at March 31, 2003—Continued
(Unaudited)

In Millions

	Expanded Health[3]	Social Services	Expanded Education[4]	PPP[5]	Transportation	NR and ED[6]	Other[7]	General Government[8]	Debt Servicing	Adjustments[9]	Total
Liabilities	$	$	$	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	1,449	151	878	221	219	527	519	519	788	(61)	5,210
Due to other governments	32		14	51	5	2	23	244			371
Due to Crown corporations, agencies and funds	5		2			1	91	44		(7)	136
Due to the Province of British Columbia						5				(5)	
Deferred revenue	1,000	1	614	198	84	155	107		71		2,230
Unfunded pension liabilities								4			4
Taxpayer-supported debt	147	6	331	6	2,757	91	657	1	28,665	(3,422)	29,239
Self-supported debt									7,270		7,270
	2,633	158	1,839	476	3,065	781	1,397	812	36,794	(3,495)	44,460
Net liabilities	(1,359)	(90)	891	56	(2,596)	2,556	(2,206)	710	(24,548)	0	(26,586)
Non-financial Assets											
Tangible capital assets	3,121	33	7,560	77	8,924	636	1,071	117			21,539
Prepaid capital advances											
Prepaid program costs	97	1	30	8	46	14	13	20	12		241
Other assets	1		3	23	13	1			111		152
	3,219	34	7,593	108	8,983	651	1,084	137	123	0	21,932
Accumulated surplus (deficit)	**1,860**	**(56)**	**8,484**	**164**	**6,387**	**3,207**	**(1,122)**	**847**	**(24,425)**	**0**	**(4,654)**

[1]School districts, Universities, Colleges and institutes, and Health care organizations.
[2]Effective fiscal 2002/03, the Consolidated Revenue Fund was allocated to each of the specific sectors. It was previously shown as a separate sector.
[3]Comprised of Health Sector (per Summary Financial Statements) and Health care organizations.
[4]Comprised of Education Sector (per Summary Financial Statements), Universities, Colleges and institutes, and School districts.
[5]Protection of Persons and Property.
[6]Natural Resources and Economic Development.
[7]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.
[8]Includes the legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.
[9]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Summary Financial Statements including SUCH[1] Sector
Statement of Operations by Sector[2]
for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Millions

	Expanded Health[3]	Social Services	Expanded Education[4]	PPP[5]	Transportation	NR and ED[6]	Other[7]	General Government[8]	Debt Servicing	Adjustments[9]	Total
Revenue	$	$	$	$	$	$	$	$	$	$	$
Taxation					305	39	62	11,925			12,331
Natural resources						3,281					3,281
Fees and licences	1,899	6	746	572	430	68	12	72			3,805
Investment earning	29	1	90	1	1	34	8	7	770	(207)	734
Miscellaneous	492	72	825	118	95	108	214	48	1	(101)	1,872
Contributions from the provincial government/self-supported Crown corporations and agencies	39			80	10	374	440	1,317		(494)	1,766
Contributions from the federal government	35	66	343	92	30	3	93	3,153			3,815
Total revenue	2,494	145	2,004	863	871	3,907	829	16,522	771	(802)	27,604

Summary Financial Statements including SUCH[1] Sector Statement of Operations by Sector[2] for the Fiscal Year Ended March 31, 2003—Continued
(Unaudited)

In Millions

	Expanded Health[3]	Social Services	Expanded Education[4]	PPP[5]	Transportation	NR and ED[6]	Other[7]	General Government[8]	Debt Servicing	Adjustments[9]	Total
Expense	$	$	$	$	$	$	$	$	$	$	$
Government transfers	3,811	2,522	488	565	5	213	334	84		(53)	7,969
Salaries and benefits	4,939	381	5,644	519	385	468	168	266			12,770
Operating costs	1,991	205	1,169	295	670	561	436	35		(337)	5,025
Amortization	287	23	425	24	408	45	50	39			1,301
Interest	6		25	16	132	3	52		1,499	(222)	1,511
Other	188	20	680		276	257	15	109		(103)	1,442
Recoveries											
Operating expense	11,222	3,151	8,431	1,419	1,876	1,547	1,055	533	1,499	(715)	30,018
Surplus (deficit) for the year before unusual items	(8,728)	(3,006)	(6,427)	(556)	(1,005)	2,360	(226)	15,989	(728)	(87)	(2,414)
Write-off of Regional Hospital Districts' net assets	(340)										(340)
Restructuring exit expense	(6)	(18)	(6)	(55)	(18)	(96)	(55)	(5)		87	(172)
Surplus (deficit) for the year 2002/03	**(9,074)**	**(3,024)**	**(6,433)**	**(611)**	**(1,023)**	**2,264**	**(281)**	**15,984**	**(728)**	**0**	**(2,926)**
Surplus (deficit) for the year 2001/02	**(8,792)**	**(3,348)**	**(6,618)**	**(857)**	**(1,024)**	**2,047**	**1,299**	**16,990**	**(757)**	**0**	**(1,060)**

[1]School districts, Universities, Colleges and institutes, and Health care organizations.
[2]Effective fiscal 2002/03, the Consolidated Revenue Fund was allocated to each of the specific sectors. It was previously shown as a separate sector.
[3]Comprised of Health Sector (per Summary Financial Statements) and Health care organizations.
[4]Comprised of Education Sector (per Summary Financial Statements), Universities, Colleges and institutes, and School districts.
[5]Protection of Persons and Property.
[6]Natural Resources and Economic Development.
[7]Includes housing, recreation and culture and other activities which cannot be allocated to the specific sectors.
[8]Includes the legislature, tax collection and administration, CHST and equalization transfers from the federal government, liquor and gaming profits, general administration and central agency services such as accounting, auditing, budgeting, insurance and risk management to all sectors.
[9]Represents sectoral adjustments to conform to government accounting policies and to eliminate transactions between sectors.

Consolidated Revenue Fund Extracts (Unaudited)

Consolidated Revenue Fund
Operating Result
for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Millions

	2003		2002
	Estimated[1] $	Actual $	Actual $
Revenue			
Taxation	12,585	11,846	13,652
Natural resource	2,853	3,255	3,108
Other	2,194	2,206	1,910
Contributions from Crown corporations and agencies	1,420	1,517	1,437
Contributions from the federal government	2,986	3,323	2,787
	22,038	22,147	22,894
Expense			
Health[2]	10,380	10,357	9,846
Social services	3,269	3,090	3,381
Education[2]	6,871	6,877	6,854
Protection of persons and property	1,128	1,101	1,103
Transportation[2]	734	750	701
Natural resources and economic development	1,065	1,357	1,324
Other	622	402	392
General government	379	363	374
Interest[2,3]	920	711	761
	25,368	25,008	24,736
Surplus (deficit) before unusual items	(3,330)	(2,861)	(1,842)
Liquidation dividends			256
Gain (loss) on pension settlement[4]			1,464
Restructuring exit expense	(188)	(188)	(161)
Surplus (deficit) for the year	**(3,518)**	**(3,049)**	**(283)**

[1]The estimated amount consists of the original Estimates presented to the Legislative Assembly February 19, 2002. It does not contain any appropriations granted in subsequent Supplementary Estimates.

[2]For 2002/03, interest expense of $453 million (2002: $458 million) is included in education expense, $151 million (2002: $154 million) is included in health expense and $139 million (2002: $108 million) is included in transportation expense.

[3]Interest expense does not include the following: interest of $748 million (2002: $817 million) on cost of borrowing for relending to government bodies; interest of $41 million (2002: $90 million) on cost of unallocated borrowing under the Warehouse Program; interest of $5 million (2002: $9 million) on borrowings under the Provincial Treasury Revenue Program; and, interest of $6 million (2002: $0.1 million) on cost of financial agreements entered into on behalf of government bodies. These amounts are not included because the interest expense and recovery are offsetting.

[4]On April 5, 2001, joint trusteeship agreements were entered into for both the Municipal Superannuation Plan and the Teachers' Pension Plan, resulting in the control of the plans and their assets being assumed by independent boards made up of government and plan member representatives. The plan settlements resulted in the realization of past actuarial gains that existed in the former plans on the settlement date. Formerly, these gains were amortized into operations over a period of approximately 10 to 12 years. The effect of the settlements is a one-time credit to operations in the amount of $1,464 million.

Consolidated Revenue Fund
Schedule of Net Revenue by Source
for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Millions

	2003		2002
Taxation Revenue[1]	Estimated $	Actual $	Actual $
Personal income	4,854	4,154	5,375
Corporation income	779	613	1,522
Social service	3,802	3,770	3,535
Property	1,425	1,457	1,401
Fuel	395	393	398
Other	1,385	1,532	1,493
Commissions on collection of public funds	(30)	(32)	(36)
Valuation adjustments	(25)	(41)	(36)
Total taxation revenue	12,585	11,846	13,652
Natural Resource Revenue			
Petroleum, natural gas and minerals	1,370	1,567	1,352
Forests	1,145	1,323	1,109
Water and other	350	371	659
Commissions on collection of public funds	(1)	(1)	(1)
Valuation adjustments	(11)	(5)	(11)
Total natural resource revenue	2,853	3,255	3,108
Other Revenue			
Medical Services Plan premiums	1,299	1,358	955
Motor vehicle licences and permits	347	355	346
Other fees and licences	358	336	339
Investment earnings	50	18	64
Miscellaneous	220	245	259
Asset dispositions			42
Commissions on collection of public funds	(14)	(13)	(11)
Valuation adjustments	(66)	(93)	(84)
Total other revenue	2,194	2,206	1,910
Contributions from Government Enterprises			
Taxpayer-supported Crown corporations and agencies			
British Columbia Buildings Corporation	13	14	15
Other	6	20	3
Total contributions from taxpayer-supported Crown corporations and agencies	19	34	18
Self-supported Crown corporations and agencies			
British Columbia Hydro and Power Authority	283	338	332
British Columbia Liquor Distribution Branch	640	654	636
British Columbia Lottery Corporation	476	489	449
Other	2	2	2
Total contributions from self-supported Crown corporations and agencies	1,401	1,483	1,419
Total contributions from government enterprises	1,420	1,517	1,437

Consolidated Revenue Fund
Schedule of Net Revenue by Source
for the Fiscal Year Ended March 31, 2003—Continued
(Unaudited)

In Millions

	2003		2002
Contributions from the Federal Government	Estimated $	Actual $	Actual $
Canada health and social transfer	2,805	2,606	2,445
Federal Equalization Program		543	158
Other contributions	181	174	184
Total contributions from the federal government	2,986	3,323	2,787
Net Consolidated Revenue Fund revenue	**22,038**	**22,147**	**22,894**
Liquidation dividends			**256**
Revenue Collected for and Transferred to Crown Corporations, Agencies and Other Entities[2]			
BC Transportation Financing Authority	(203)	(222)	(195)
Forest Renewal BC [3]			(144)
Greater Vancouver Transportation Authority (TransLink)	(242)	(250)	(201)
Rural area property taxes	(182)	(174)	(164)
Other Crown corporations, agencies and entities	(138)	(144)	(134)
Total	**(765)**	**(790)**	**(838)**

[1]Personal income tax and corporation income tax revenues are recorded after adjustment for tax credits. Personal income tax was reduced by $101 million (2002: $94 million) and corporation income tax was reduced by $146 million (2002: $107 million). The types of tax credits adjusting personal income tax and corporation income tax revenues are for foreign taxes, logging taxes, venture capital, political contributions, low income rent reductions, low income tax rebates and royalty tax rebates.

Personal income tax revenue is also reduced by $63 million (2002: $71 million) which represents that portion of the BC Family Bonus program costs recorded against revenue.

Additional personal income tax and corporation income tax refunds are issued under the *International Financial Business (Tax Refund) Act*. Personal income tax refunds were $0.4 million (2002: $0.6 million) and corporation income tax refunds less recoveries were $(0.5) million (2002: $5.7 million).

Property revenue is net of home owner grants of $511 million (2002: $504 million).

[2]The Revenue Collected for and Transferred to Crown Corporations, Agencies and Other Entities has not been included in their revenue sources.

[3] Forest Renewal BC ceased operations on March 31, 2002.

Consolidated Revenue Fund
Schedule of Comparison of Estimated Expenses to Actual Expenses for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Thousands

Special Offices, Ministries and Other Appropriations	Estimated	Other Authorizations	Total Authorizations	Actual
	$	$	$	$
Legislation	39,332		39,332	37,502
Officers of the Legislature	31,516		31,516	25,138
Office of the Premier	49,727	1,000	50,727	42,587
Advanced Education	1,899,696	3,250	1,902,946	1,897,301
Agriculture, Food and Fisheries	64,078	7,566	71,644	71,630
Attorney General	556,228		556,228	530,762
Children and Family Development	1,558,430	10,511	1,568,941	1,568,941
Community, Aboriginal and Women's Services	554,828	264	555,092	554,613
Competition, Science and Enterprise	53,680	5,115	58,795	57,295
Education	4,861,081		4,861,081	4,859,206
Energy and Mines	50,144	781	50,925	47,012
Finance	27,216		27,216	26,959
Forests	620,914	297,998	918,912	893,083
Health Planning	16,633		16,633	15,953
Health Services	10,205,400	(5,279)	10,200,121	10,173,604
Human Resources	1,789,143		1,789,143	1,618,251
Management Services	47,843	8,958	56,801	55,733
Provincial Revenue	45,278	11,375	56,653	49,338
Public Safety and Solicitor General	506,491	18,903	525,394	524,680
Skills Development and Labour	28,728		28,728	24,030
Sustainable Resource Management	117,770	6,971	124,741	124,740
Transportation	738,505	10,535	749,040	748,553
Water, Land and Air Protection	162,494	71	162,565	162,547
Management of Public Funds and Debt	920,000		920,000	710,599
BC Family Bonus	91,000		91,000	87,979
Government Restructuring (All Ministries)	230,000		230,000	211,868
Contingencies (All Ministries) and New Programs[1]	210,000	(96,915)	113,085	0
Commissions on Collection of Public Funds and Allowances for Doubtful Revenue Accounts	1		1	0
Environmental Assessment Office	3,470		3,470	3,446
Environmental Boards and Forest Appeals Commission	1,967		1,967	1,140
Forest Practices Board	4,822		4,822	4,373
Public Sector Employers' Council	1,939		1,939	1,843
Seismic Mitigation	50,000	18,630	68,630	68,630
Insurance and Risk Management Special Account	16,715		16,715	(10,737)
Unclaimed Property Special Account	931	8,117	9,048	9,048
Purchasing Commission Working Capital Account Special Account		58,905	58,905	58,905
Transfer from the Purchasing Commission Working Capital Account to the General Account		(58,905)	(58,905)	(58,905)
Transfer from the Unclaimed Property Special Account to the General Account		(1,549)	(1,549)	(1,549)
Total expense including restructuring exit expense	**25,556,000**	**306,302**	**25,862,302**	**25,196,098**
Restructuring exit expense[2]	(188,270)		(188,270)	(188,270)
Total expense	**25,367,730**	**306,302**	**25,674,032**	**25,007,828**

Consolidated Revenue Fund
Schedule of Comparison of Estimated Expenses to Actual Expenses for the Fiscal Year Ended March 31, 2003—Continued
(Unaudited)

In Thousands

Summary of Appropriations	Estimated	Other Authorizations	Total Authorizations	Actual
	$	$	$	$
Voted expense	25,198,000	1,369	25,199,369	24,568,465
Statutory				
Various Acts		297,118	297,118	297,118
Special Accounts	461,000	347,402	808,402	757,763
Inter-account transfers	(103,000)	(339,587)	(442,587)	(427,248)
Total expense by appropriation including restructuring exit expense—2002/03	**25,556,000**	**306,302**	**25,862,302**	**25,196,098**
Restructuring exit expense[2]	(188,270)		(188,270)	(188,270)
Total expense by appropriation—2002/03	**25,367,730**	**306,302**	**25,674,032**	**25,007,828**
Total expense by appropriation—2001/02	**24,808,000**	**630,215**	**25,438,215**	**24,735,435**

[1]Budget for Contingencies has been reallocated to ministries with approved access.
[2]See Note 1—Significant Accounting Policies for information.

Consolidated Revenue Fund
Schedule of Financing Transaction Disbursements
for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Thousands

	Estimated	Other Authorizations	Total	Actual Disbursements
Special Offices, Ministries and Other Appropriations	$	$	$	$
Legislation	451		451	405
Officers of the Legislature	2,859		2,859	1,194
Office of the Premier	949		949	479
Advanced Education	351,429		351,429	226,575
Agriculture, Food and Fisheries	4,432		4,432	842
Attorney General	29,469	405	29,874	24,645
Children and Family Development	18,042		18,042	5,122
Community, Aboriginal and Women's Services	9,575		9,575	2,859
Competition, Science and Enterprise	1,105		1,105	625
Education	269,776		269,776	265,246
Energy and Mines	68,802	2,799	71,601	70,759
Finance	9,689		9,689	5,567
Forests	26,000	10,431	36,431	33,703
Health Services	296,790		296,790	137,333
Human Resources	23,555		23,555	4,849
Management Services	28,317		28,317	21,118
Provincial Revenue	766,840	30,629	797,469	785,987
Public Safety and Solicitor General	21,246	262	21,508	20,317
Skills Development and Labour	1,530		1,530	1,169
Sustainable Resource Management	26,088	22,559	48,647	42,717
Transportation	163,820		163,820	77,654
Water, Land and Air Protection	18,800		18,800	10,310
Government Restructuring (All Ministries)	35,000		35,000	1,275
Contingencies (All Ministries) and New Programs	20,000		20,000	
Environmental Assessment Office	112		112	112
Environmental Boards and Forest Appeals Commission	85		85	36
Forest Practices Board	125		125	111
Public Sector Employers' Council	15		15	12
Insurance and Risk Management	1,000		1,000	411
Unclaimed Property	145		145	
Total financing transaction disbursements	**2,196,046**	**67,085**	**2,263,131**	**1,741,432**
Summary of Appropriations				
Loans, investments and other requirements	235,611	11,295	246,906	212,907
Prepaid capital advances	894,120		894,120	555,040
Revenue collected for, and transferred to, other entities	765,000	32,826	797,826	790,221
Capital Expenditures				
Land and land improvements	23,000	22,559	45,559	45,288
Buildings	2,510		2,510	1,864
Specialized equipment	15,168		15,168	10,235
Office furniture and equipment	7,323		7,323	3,670
Vehicles	17,907		17,907	11,364
Information systems	162,887	405	163,292	97,752
Tenant improvements	15,880		15,880	13,101
Roads, bridges and ferries	1,640		1,640	
Recoveries	55,000		55,000	(10)
Total financing transactions by appropriation	**2,196,046**	**67,085**	**2,263,131**	**1,741,432**

Consolidated Revenue Fund
Schedule of Information Required Under Section 9(2)(d)(ii),(iii) and (iv) of the *Budget Transparency and Accountability Act* for the Fiscal Year Ended March 31, 2003
(Unaudited)

In Millions

Ministry	Assets, Debts and Obligations Written Off	Debts and Obligations Extinguished	Remissions Made
	$	$	$
Advanced Education	4	4	
Attorney General	1		
Children and Family Development	14		
Competition, Science and Enterprise	92	1	
Education	1		
Finance	5		
Forests	22		1
Health Services	3		
Human Resources	12		
Provincial Revenue	19		
Sustainable Resource Management	1		
Transportation	4	1	
Water, Land and Air Protection	2	2	
Total 2002/03	**180**	**8**	**1**
Total 2001/02	**63**	**4**	**5**

This statement includes amounts authorized by sections 17, 18, and 19 of the *Financial Administration Act*. Amounts authorized for write-off, forgiveness or remission by other statutes are not shown separately in these financial statements.

Provincial Debt Summary

BRITISH COLUMBIA

Overview of Provincial Debt
(Unaudited)

The provincial government and its Crown corporations incur debt to finance operations and capital projects. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads, public transit and other social and economic capital assets. As these investments provide essential services over several years, the government, like the private sector, borrows to fund these projects and amortizes the cost over the asset's useful life.

Provincial debt is reported using two basic classifications: (1) taxpayer-supported debt; and (2) self-supported debt.

Taxpayer–supported Debt—includes government direct debt, which is incurred for government operating and capital purposes, and the debt of those Crown corporations and agencies which require an operating or debt service subsidy from the provincial government or which are fully consolidated in the Summary Financial Statements. Examples include debt of the British Columbia Buildings Corporation and BC Transportation Financing Authority.

Self–supported Debt—includes the debt of commercial Crown corporations and agencies as well as the Warehouse Program. Commercial Crown corporations and agencies generate sufficient revenues to cover interest costs and repay principal, and may pay dividends to the province. The British Columbia Hydro and Power Authority and British Columbia Railway Company are examples of commercial Crown corporations. The Warehouse Program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province, Crown corporations or agencies; in the interim, the funds are invested at market rates.

The following provincial debt summary provides additional detailed information and related key indicators and benchmarks to allow a more informed assessment of the debt totals. A reconciliation is also provided to explain the differences between the Summary of Provincial Debt and the Summary Financial Statements.

The total provincial debt as at March 31, 2003 was $36,557 million, which consists of $36,141 million in the Summary Financial Statements together with $227 million in additional debt of self–supported Crown corporations and agencies and $189 million in additional taxpayer–supported debt.

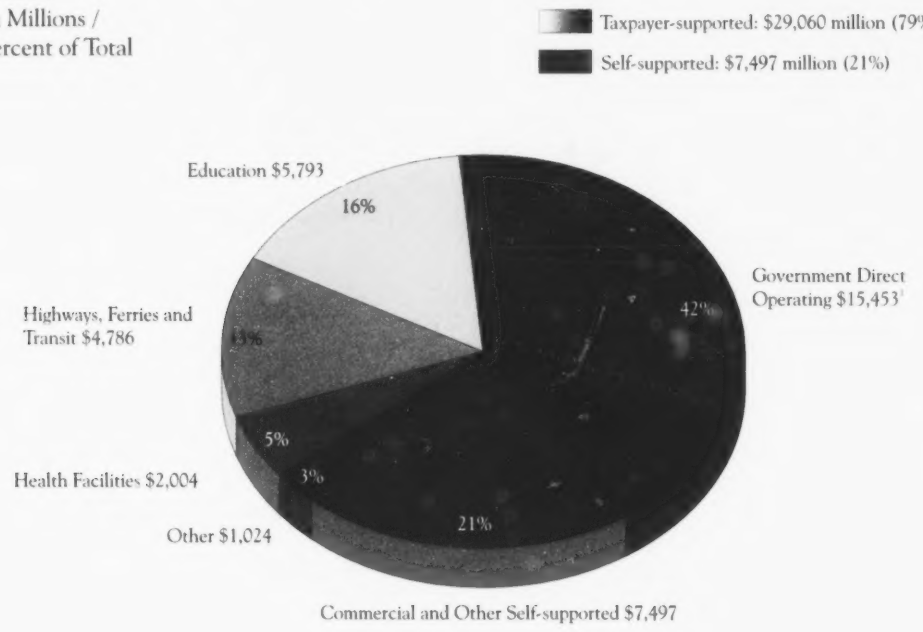
Provincial Debt as at March 31, 2003 (Unaudited)

The accumulated provincial debt of $36,557 million has been incurred for various purposes as shown in Chart 1 below. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2003, taxpayer-supported debt totalled $29,060 million—including debt incurred for government operating purposes ($15,453 million), educational facilities ($5,793 million), health facilities ($2,004 million), transportation infrastructure ($4,786 million) and other debt ($1,024 million). Other debt is comprised mainly of British Columbia Buildings Corporation, debt relating to social housing, and loans to universities and colleges.

At March 31, 2003, self-supported debt relating to commercial Crown corporations and agencies totalled $7,497 million. Commercial debt includes the debt of British Columbia Hydro and Power Authority, British Columbia Railway Company, Columbia Power Corporation and debt relating to Columbia River power projects.

Chart 1
In Millions /
Percent of Total



Total: $36,557 million

[1] Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, ferry infrastructure debt transferred in 1999/00 and amounts required to finance operating deficits.

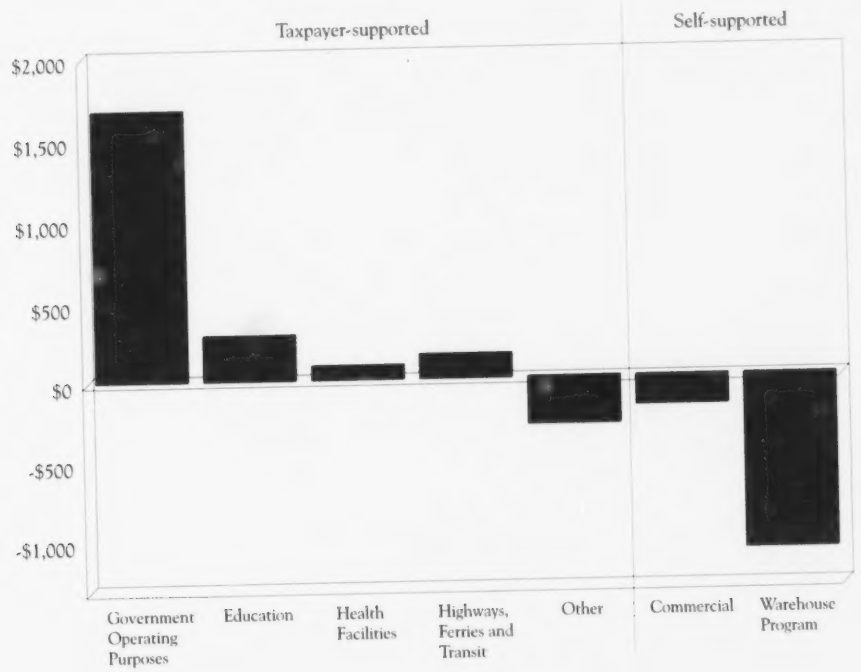
Change in Provincial Debt[1]
(Unaudited)

Provincial debt increased by $639 million in 2002/03; this included an increase in taxpayer-supported debt of $1,883 million offset by a reduction in self-supported debt of $1,244 million (*see* Chart 2 below).

Taxpayer–supported Debt—The 2002/03 increase of $1,883 million was primarily due to a significant increase ($1,664 million) in government operating debt to finance the operating deficit, working capital, and financing transaction requirements. The increase also included new capital financing (partially offset by changes in sinking fund balances) totalling $507 million, used to fund various provincial infrastructures in the education ($276 million), health ($84 million), and transportation ($147 million) sectors. Other debt decreased by $288 million due to reductions in debt of the British Columbia Buildings Corporation and debt relating to social housing.

Self–supported Debt—The 2002/03 decrease of $1,244 million consists of a $177 million decrease in commercial Crown corporations debt and a $1,067 million reduction in Warehouse Program debt. The commercial Crown corporations debt was lower primarily due to lower debt of British Columbia Railway Company, as the corporation used proceeds from asset sales to pay down debt. The Warehouse Program was reduced from the prior year, as borrowings in 2001/02 were used to meet requirements in 2002/03. As the province is now able to access capital markets early in the fiscal year due to the fixed budget dates in February and timely completion of the rating agency reviews, there is no longer a need for large Warehouse Program balances at the end of each fiscal year.

Chart 2
In Millions



[1]Includes gross new borrowings plus changes in sinking fund balances, less debt maturities.

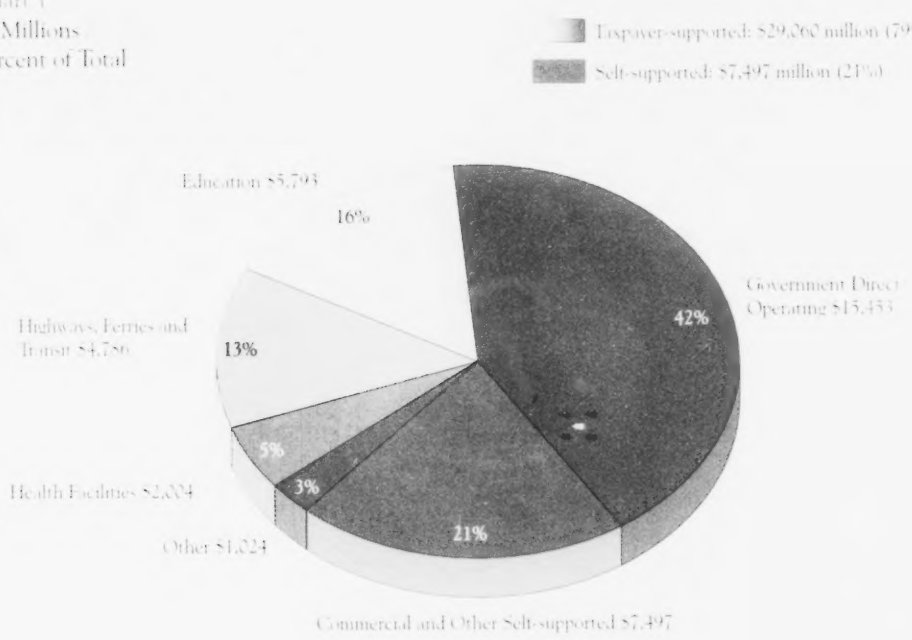
Provincial Debt
as at March 31, 2003
(Unaudited)

The accumulated provincial debt of $36,557 million has been incurred for various purposes as shown in Chart 1 below. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2003, taxpayer-supported debt totalled $29,060 million—including debt incurred for government operating purposes ($15,453 million), educational facilities ($5,793 million), health facilities ($2,004 million), transportation infrastructure ($4,786 million) and other debt ($1,024 million). Other debt is comprised mainly of British Columbia Buildings Corporation, debt relating to social housing, and loans to universities and colleges.

At March 31, 2003, self-supported debt relating to commercial Crown corporations and agencies totalled $7,497 million. Commercial debt includes the debt of British Columbia Hydro and Power Authority, British Columbia Railway Company, Columbia Power Corporation and debt relating to Columbia River power projects.

Chart 1
In Millions
Percent of Total



Total: $36,557 million

(1) Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, ferry infrastructure debt transferred in 1999/00, and amounts required to finance operating deficits.

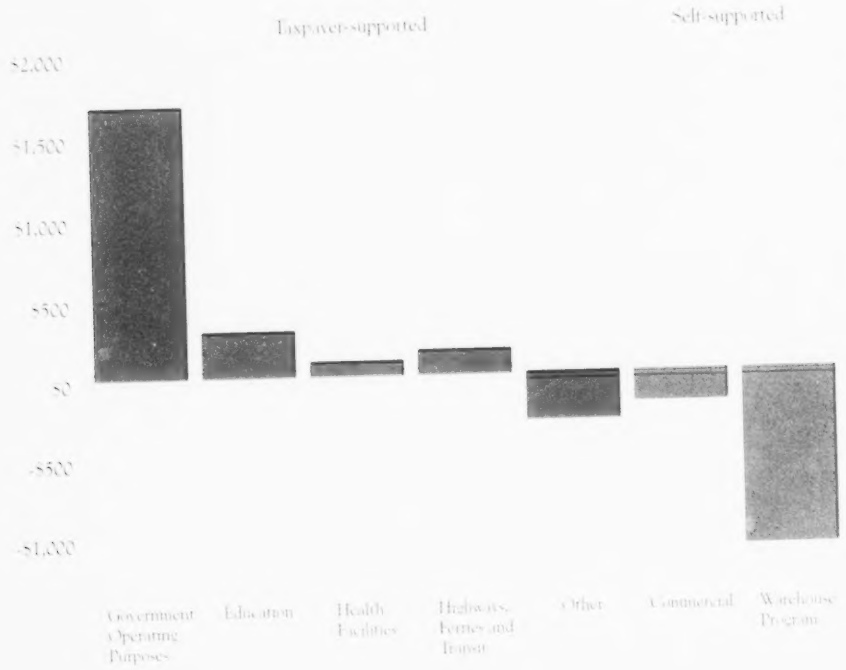
Change in Provincial Debt[1]
(Unaudited)

Provincial debt increased by $639 million in 2002/03; this included an increase in taxpayer-supported debt of $1,883 million offset by a reduction in self-supported debt of $1,244 million (see Chart 2 below).

Taxpayer-supported Debt—The 2002/03 increase of $1,883 million was primarily due to a significant increase ($1,664 million) in government operating debt to finance the operating deficit, working capital, and financing transaction requirements. The increase also included new capital financing (partially offset by changes in sinking fund balances) totalling $507 million, used to fund various provincial infrastructures in the education ($276 million), health ($84 million), and transportation ($147 million) sectors. Other debt decreased by $288 million due to reductions in debt of the British Columbia Buildings Corporation and debt relating to social housing.

Self-supported Debt—The 2002/03 decrease of $1,244 million consists of a $177 million decrease in commercial Crown corporations debt and a $1,067 million reduction in Warehouse Program debt. The commercial Crown corporations debt was lower primarily due to lower debt of British Columbia Railway Company, as the corporation used proceeds from asset sales to pay down debt. The Warehouse Program was reduced from the prior year, as borrowings in 2001/02 were used to meet requirements in 2002/03. As the province is now able to access capital markets early in the fiscal year due to the fixed budget dates in February and timely completion of the rating agency reviews, there is no longer a need for large Warehouse Program balances at the end of each fiscal year.

Chart 2
In Millions



[1] Includes gross new borrowings plus changes in sinking fund balances, less debt maturities.

Reconciliation of Summary Financial Statements (Surplus) Deficit to Change in Taxpayer–supported Debt and Total Debt for the Fiscal Year Ended March 31, 2003
(Unaudited)

	In Millions 2003	2002[1]
	$	$
(Surplus) deficit for the year	3,169	1,285
Taxpayer–supported debt decreased by:		
Non–cash expenses included in (surplus) deficit	(1,359)	
Self–supported Crown corporation and agency contributions to the Consolidated Revenue Fund (CRF) in excess of earnings		(484)
Accounts receivable, accounts payable and other working capital net decreases	(1,042)	(79)
	(2,401)	(563)
Taxpayer–supported debt increased by:		
Non–cash expenses included in (surplus) deficit		3
Self–supported Crown corporation and agency earnings in excess of contributions to the CRF.	109	
Prepaid capital advances	490	529
Tangible capital asset net acquisitions	436	842
Net increases in loans, advances and investments	80	83
	1,115	1,457
Net increase (decrease) in taxpayer–supported debt	1,883	2,179
Taxpayer–supported debt—beginning of year	27,177	24,998
Taxpayer–supported debt—end of year	29,060	27,177
Self–supported debt[2]	7,497	8,741
Total debt[3]	**36,557**	**35,918**

Reconciliation of Total Debt to the Summary Financial Statements Debt as at March 31, 2003
(Unaudited)

	In Millions 2003	2002[1]
	$	$
Total debt	36,557	35,918
Debt included as part of equity in self–supported Crown corporations and agencies	(227)	(241)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province	(189)	(223)
Summary Financial Statements debt	**36,141**	**35,454**
Comprised of		
Taxpayer–supported debt	28,871	26,954
Self–supported debt	7,270	8,500
	36,141	**35,454**

[1] Restated. See Note 26.
[2] See Summary of Provincial Debt, page 107.
[3] Total debt includes debt of self–supported Crown corporations and agencies, and debt of individuals and organizations guaranteed by the province.

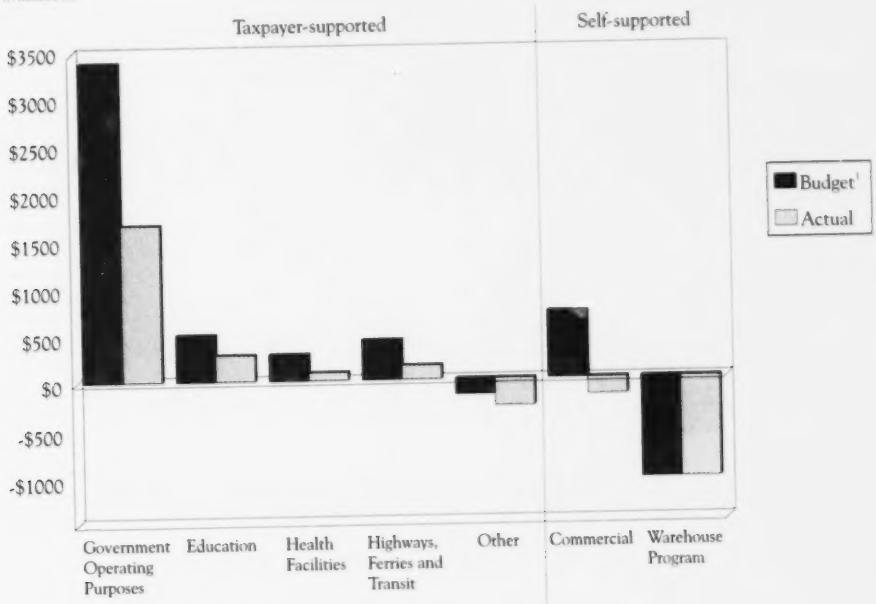
Change in Provincial Debt
Comparison to Budget
(Unaudited)

The change in provincial debt was $4,171 million less than originally budgeted (per the Budget and Fiscal Plan presented in February 2002, adjusted to reflect the restated Public Accounts balance at March 31, 2002). Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category. The change in taxpayer–supported debt was $2,541 million less than budget and the change in self-supported debt was $880 million lower than budget. In addition, the $750 million forecast allowance included in the budget was not required.

Taxpayer–supported Debt—The change was $2,541 million lower than budget due to reduced borrowing for government operating purposes ($1,729 million) due to improved cash flows, and lower than expected working capital and financing transaction requirements; lower than forecast capital spending and changes in sinking fund balances on education, health and transit infrastructure ($688 million) and lower than expected debt of the British Columbia Buildings Corporation and other agencies ($124 million).

Self–supported Debt—The change was $880 million lower than budget as a result of reduced debt for British Columbia Power and Hydro Authority ($613 million) due to improved cash flows, lower working capital requirements and favourable foreign exchange rates, lower debt of British Columbia Railway Company ($144 million) as proceeds from asset sales were used to pay down debt, and lower debt of other self-supported Crown corporations and agencies ($123 million) due primarily to deferred capital spending on Columbia River power projects.

Chart 3
In Millions

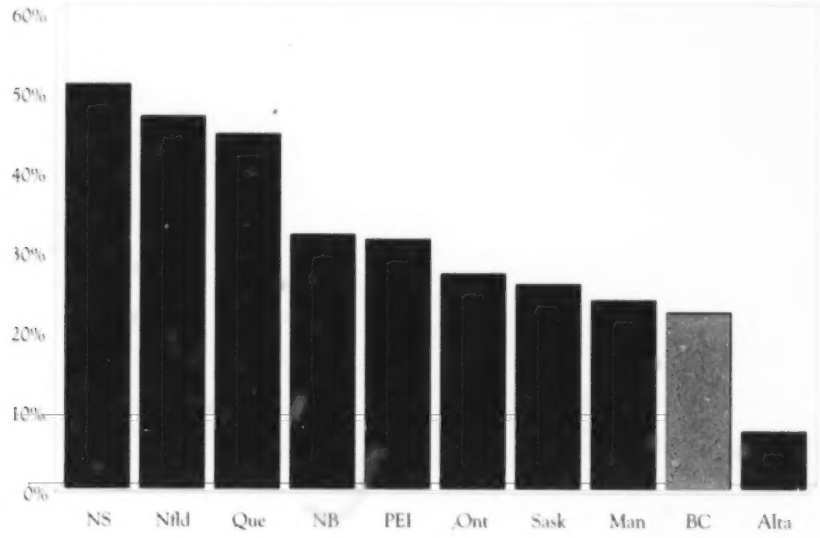


[1]Adjusted to reflect the restated Public Accounts balances at March 31, 2002.

Interprovincial Comparison of Taxpayer–supported Debt as a Percentage of Gross Domestic Product
(Unaudited)

Chart 4 below shows the ratio of each province's taxpayer–supported debt as a percentage of their gross domestic product (GDP). The ratio of a province's taxpayer–supported debt relative to its GDP highlights the ability of a province to service its debt load. This rating is often used by investors and credit rating agencies when assessing a province's investment quality. British Columbia's taxpayer–supported debt ratio is one of the lowest in Canada and this translates into a strong credit rating and relatively low debt servicing costs. According to the Moody's Investors Service, British Columbia has the second lowest taxpayer-supported debt to gross domestic product ratio of all provinces.

Chart 4
Percent of GDP, at March 31, 2003

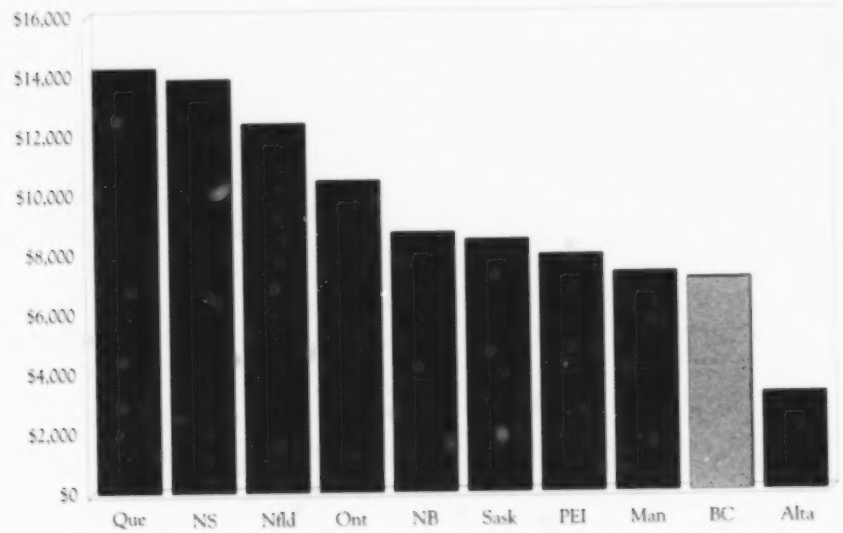


Source: Moody's Investors Service Inc., May 2003

Interprovincial Comparison of Taxpayer–supported Debt per Capita
(Unaudited)

Chart 5 shows the inter-provincial taxpayer-supported debt per capita, which is the amount of taxpayer-supported debt owing for each resident in a province. According to the Moody's Investors Service, British Columbia has the second lowest taxpayer-supported debt per capita of all provinces.

Chart 5
Per capita, at March 31, 2003



Source: Moody's Investors Service Inc., May 2003

More comprehensive information on the debt of the province and its Crown corporations and agencies is provided on the Debt Management Branch web-site. This more detailed information can assist readers in assessing the province's debt position. The web-site is available on the Internet at: http//www.fin.gov.bc.ca/PT/dmb/index.shtml.

Report of the Auditor General of British Columbia

ON THE SUMMARY OF PROVINCIAL DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF PERFORMANCE MEASURES

To the Legislative Assembly
of the Province of British Columbia

Preamble

Each year since 1995 the Auditor General has provided a special report to the Legislative Assembly on the accuracy of debt-related statements prepared by the Government. For the 2002/03 fiscal year these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures. Through these statements the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators, and compares its actual results of Performance Measures to its benchmark measures for the fiscal year ended March 31, 2003.

Consistent with prior years, in these statements, and in budgets, the government reporting entity is that which is defined by the Canadian Institute of Chartered Accountants but excludes schools, universities, colleges and institutes, and health care organizations (SUCH sector). Accordingly, the provincial debt, whether directly borrowed or guaranteed by the Government, does not include amounts borrowed from private lenders by SUCH sector organizations. For the 2002/03 fiscal year, the outstanding balance of these excluded borrowings amounted to $368 million ($580 million for 2001/02).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the accuracy of such information based on the above definition of the reporting entity and provincial debt.

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REPORT OF THE AUDITOR GENERAL
OF BRITISH COLUMBIA ON THE
SUMMARY OF PROVINCIAL DEBT,
KEY INDICATORS OF PROVINCIAL DEBT, AND
SUMMARY OF PERFORMANCE MEASURES

Scope

I examined financial and other information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2003, Key Indicators of Provincial Debt for the five years ended March 31, 2003, and Summary of Performance Measures for the year ended March 31, 2003 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by me or by other auditors whose work I have reviewed on a test basis. They also include confirming or assessing the reasonableness of the non-financial and statistical data used by the Government on the Province's credit rating, population and gross domestic product; however, I did not perform an audit of such data.

Opinion

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2003, Key Indicators of Provincial Debt for the five years ended March 31, 2003, and Summary of Performance Measures for the year ended March 31, 2003 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a consistent manner.

Disclaimer

I have not been associated with the development of the Government plans to manage provincial debt, nor have I audited them. This is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of the reporting entity and provincial debt as outlined in the preamble to this report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
May 16, 2003

OFFICE OF THE
Auditor General
of British Columbia

Summary of Provincial Debt[1] as at March 31

In Millions

	2003	2002	2001	2000	1999
Taxpayer–supported Debt	$	$	$	$	$
Provincial government direct operating[2]	15,453	13,789	12,113	13,859	12,217
Education[3]					
Schools	4,294	4,092	3,880	3,609	3,261
Post–secondary educational institutions	1,499	1,425	1,383	1,369	1,336
	5,793	5,517	5,263	4,978	4,597
Health facilities[3]	2,004	1,920	1,780	1,451	1,282
Highways, ferries and public transit					
BC Transportation Financing Authority	2,661	2,514	2,197	1,843	1,433
British Columbia Ferry Corporation[2]		19	21	24	973
British Columbia Transit	87	79	75	79	59
Public transit[3]	930	936	948	952	987
SkyTrain extension[3]	1,105	1,044	836	488	133
Rapid Transit Project 2000 Ltd.	3	47	114	101	56
	4,786	4,639	4,191	3,487	3,641
Other					
British Columbia Buildings Corporation	456	596	610	615	715
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[4]			337		
Social housing[5]	161	299	265	205	183
Homeowner Protection Office	123	113	71	34	11
Universities and colleges	105	114	124	130	137
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.)				62	
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[2]				3	29
Other[6]	179	190	244	357	392
	1,024	1,312	1,651	1,406	1,467
Total taxpayer–supported debt	29,060	27,177	24,998	25,181	23,204

Summary of Provincial Debt[1] as at March 31—Continued

In Millions

	2003	2002	2001	2000	1999
Self–supported Debt	$	$	$	$	$
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority	6,829	6,863	6,852	6,945	7,474
British Columbia Railway Company	494	614	603	655	607
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[4]				280	221
Columbia River power projects[7]	118	120	93	94	94
Columbia Power Corporation	47	64	20		
British Columbia Liquor Distribution Branch	9	13	2	3	3
	7,497	7,674	7,570	7,977	8,399
Warehouse Program		1,067	1,312	1,320	658
Total self–supported debt	7,497	8,741	8,882	9,297	9,057
Total provincial debt	**36,557**	**35,918**	**33,880**	**34,478**	**32,261**

[1]Debt is after deductions of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used in 2002/03.

[2]Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre—$70 million).

[3]Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[4]Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the debt was reclassified as being taxpayer–supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million), as Skeena Cellulose Inc. was sold to the private sector.

[5]Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

[6]Includes debt of Land and Water British Columbia Inc., the Pacific National Exhibition, other taxpayer–supported Crown corporations and agencies and the fiscal agency loans to local governments. Also includes student loan guarantees, loan guarantees to agricultural producers, guarantees under economic development and home mortgage assistance programs.

[7]Joint ventures of Columbia Power Corporation and Columbia Basin Trust.

Key Indicators of Provincial Debt[1] for the Fiscal Years Ended March 31

	2003		2002	2001	2000	1999
	Budget Estimate[2]	Actual	Actual	Actual	Actual	Actual
Debt to Revenue (percent)						
Total provincial	120.1	104.8	95.3	83.4	102.0	103.1
Taxpayer–supported	127.9	115.9	104.1	90.3	101.1	99.7
Debt per Capita ($)[3]						
Total provincial	9,866	8,827	8,757	8,345	8,559	8,071
Taxpayer–supported	7,655	7,017	6,626	6,157	6,251	5,805
Debt to GDP (percent)[4]						
Total provincial	31.3	27.2	27.4	26.2	28.6	27.9
Taxpayer–supported	24.3	21.6	20.8	19.3	20.9	20.1
Interest Bite (cents per dollar of revenue)[5]						
Total provincial	7.7	6.4	6.4	6.4	7.5	7.8
Taxpayer–supported	8.1	6.6	6.6	6.8	7.2	7.4
Interest Costs ($ millions)						
Total provincial	2,628	2,231	2,422	2,604	2,528	2,452
Taxpayer–supported	2,007	1,663	1,724	1,871	1,785	1,723
Interest Rate (percent)[6]						
Taxpayer–supported	6.8	5.9	6.6	7.5	7.4	7.6
Background Information						
Revenue ($ millions)						
Total provincial[7, 9]	33,918	34,887	37,689	40,618	33,804	31,294
Taxpayer–supported[8, 9]	24,703	25,076	26,108	27,690	24,909	23,285

Key Indicators of Provincial Debt[1] for the Fiscal Years Ended March 31—Continued

	2003		2002	2001	2000	1999
	Budget Estimate[2]	Actual	Actual	Actual	Actual	Actual
Total Debt ($ millions)						
Total provincial	40,728	36,557	35,918	33,880	34,478	32,261
Taxpayer-supported[10]	31,601	29,060	27,177	24,998	25,181	23,204
Provincial GDP ($ millions)[11]	130,100	134,365	130,859	129,356	120,599	115,641
Population (thousands at July 1)[12]	4,128	4,141	4,102	4,060	4,028	3,997

[1]Figures for prior years have been restated to conform with the presentation used for 2003.

[2]Represents the budget estimate as presented in the Economic and Fiscal Plan tabled February 19, 2002.

[3]The ratio of debt to population (e.g. 2002/03 debt divided by population at July 1, 2002).

[4]The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2002/03 debt divided by 2002 GDP).

[5]The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

[6]Weighted average of the cost of all outstanding debt issues.

[7]Includes revenue of the Consolidated Revenue Fund plus revenue of all Crown corporations and agencies.

[8]Excludes revenue of commercial Crown corporations and agencies.

[9]The province changed its method of recognizing receipts under the Federal Equalization Program from the cash basis to the accrual basis of accounting. This change resulted in a reduction in revenue of $58 million in 2002/03 and restatements to prior years including a reduction in revenue of $67 million in 2001/02 and an increase in revenue of $125 million in 1999/00.

[10]Excludes debt of commercial Crown corporations and agencies and funds held under the province's warehouse borrowing program.

[11]GDP for the calendar year ending in the fiscal year (e.g. GDP for 2002 is used for the fiscal year ending March 31, 2003).

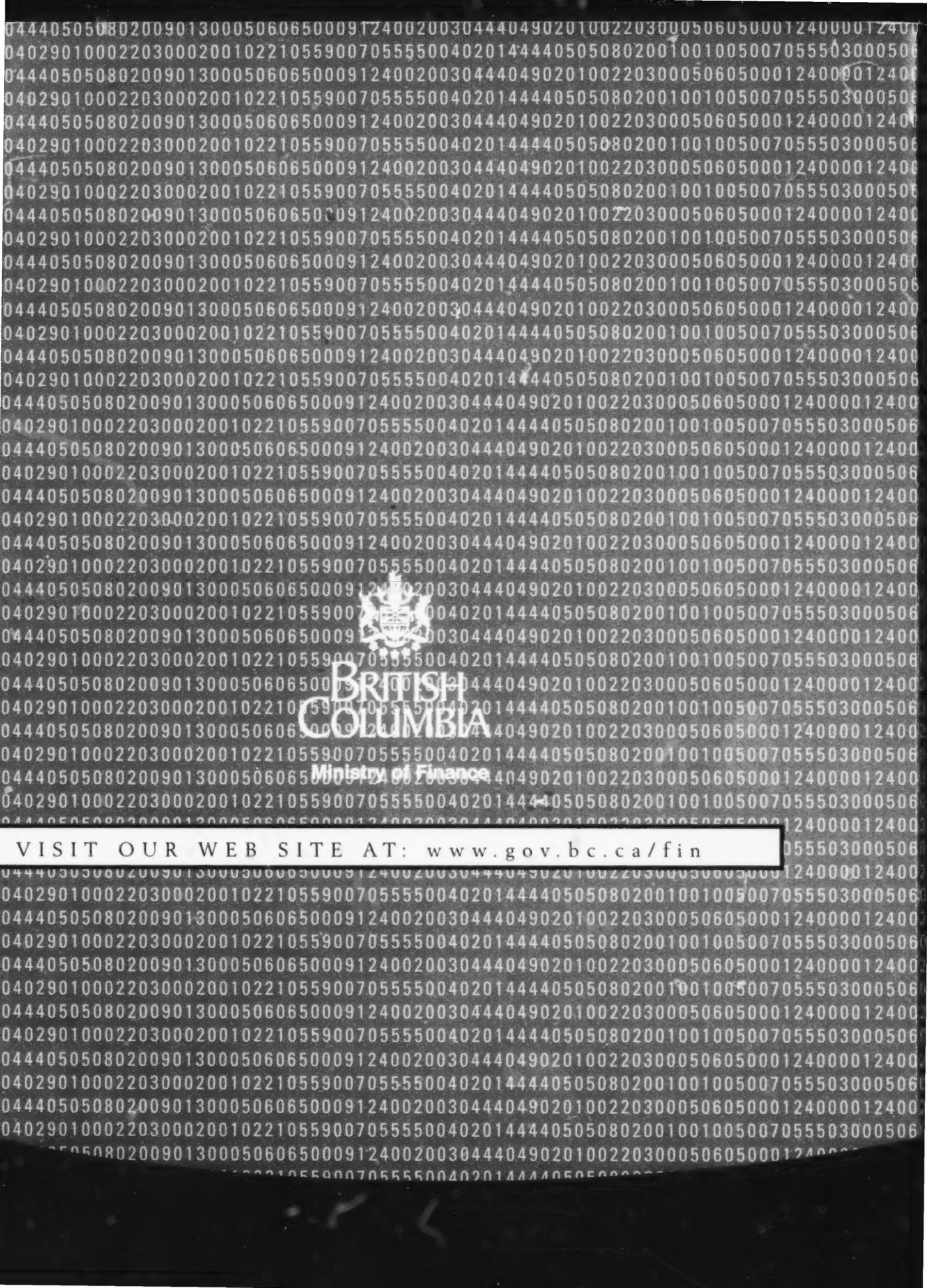
[12]Population at July 1st within the fiscal year (e.g. population at July 1, 2002 is used for the fiscal year ending March 31, 2003).

Summary of Performance Measures[1] for the Fiscal Year Ended March 31, 2003

	2003	2003	2002
	Target	Actual	Actual
Provincial credit rating[2]	Aa2	Aa2	Aa2
Debt to GDP ratio[2]	In the lowest 3	2nd lowest	2nd lowest
Debt service costs as a percentage of revenue[2]	2nd lowest	2nd lowest	2nd lowest

[1]Performance measures as presented in the Ministry of Finance Service Plan in February 2002.

[2]As per Moody's Investors Service Inc. The debt to GDP and debt service costs as a percentage of revenue performance measures represent inter-provincial comparisons.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